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ABSTRACT

Eighteen foreign policy topics are presented in this book to provide voters, officeholders, candidates, students, and teachers with background information, facts, and U.S. foreign policies. A fact list, historical background information, current administration policy, and policy alternatives are described for most of these topics. Part 1 discusses leadership in terms of the U.S. presidency, Congress, and foreign policy. Part 2 examines national security in relation to: (1) the arms race and control; (2) the defense budget and major weapons systems; and (3) nuclear proliferation. Economic and social issues are described in part 3 in terms of: (1) jobs and international trade; (2) oil and energy; (3) the international debt crisis; and (4) immigration and refugees. Part 4 considers critical world regions, including the USSR, the Atlantic Alliance, Lebanon and Israel, Iran and Iraq, Central America, Japan, China and Taiwan, South Africa and Namibia, and developing nations. Part 5 examines the relationship of the United States to the United Nations. Maps, pictures, and charts are included, and a selected bibliography is provided for each topic. (JHP)

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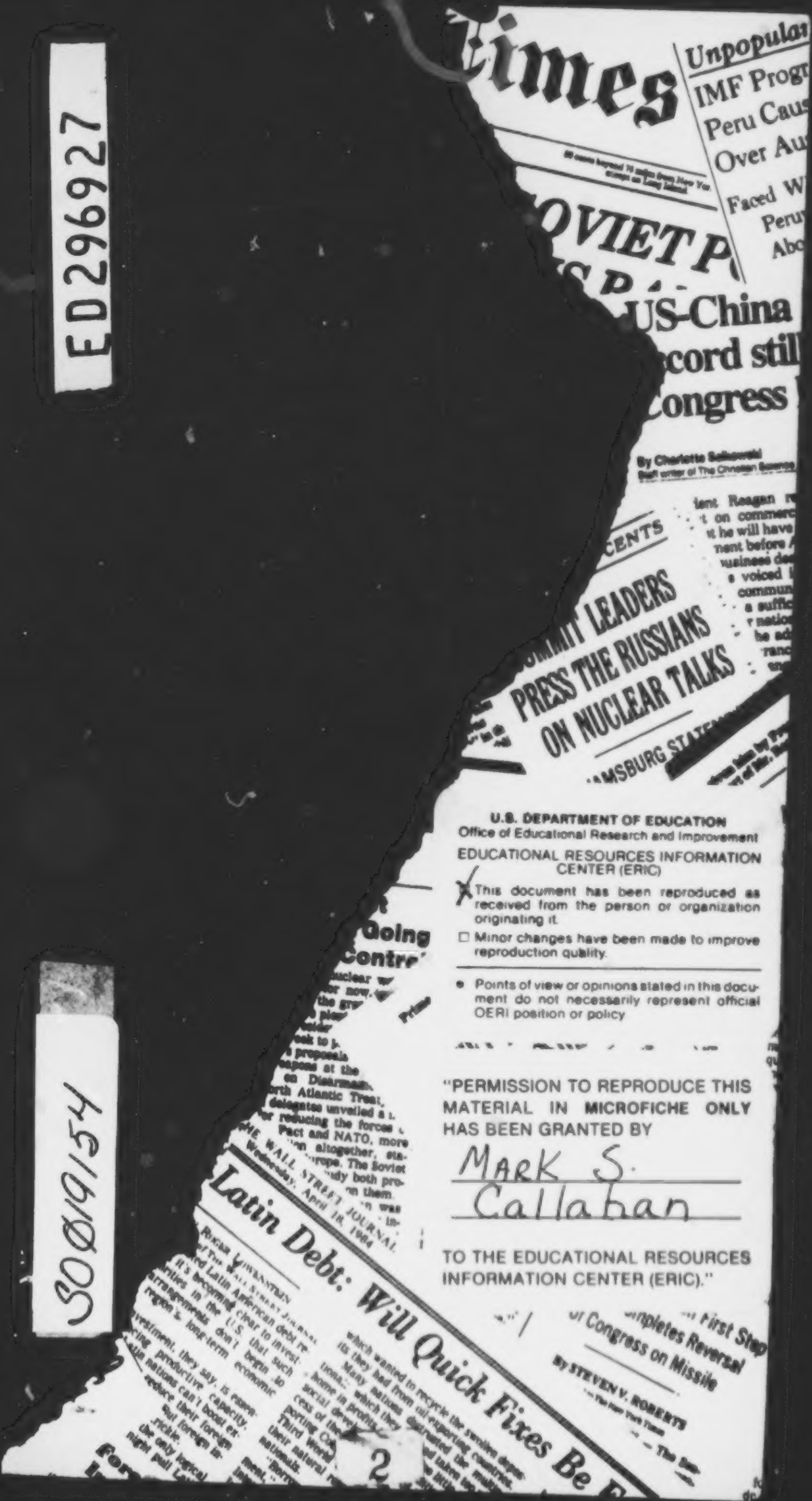
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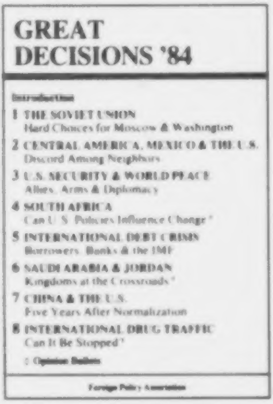

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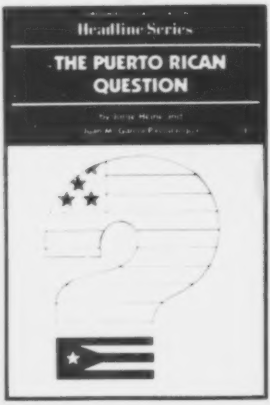

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Foreign Policy Choices for Americans

A Nonpartisan Guide for Voters

Prepared by the Editors of
the Foreign Policy Association
New York, New York 1984

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FOREWORD

To celebrate its 65th anniversary, the Foreign Policy Association, a private, nonprofit, nonpartisan educational organization, has prepared this small volume on some of the weightiest foreign policy issues facing the country. FPA's objective is to help stimulate an informed, thoughtful and articulate public opinion through its publications, its sponsorship of nationwide discussion groups and foreign affairs programs for all interested Americans.

This expanded voter's guide is one of a series produced by the Foreign Policy Association in every presidential election year since 1968. The guide's purpose is to provide voters, officeholders, candidates, students and teachers with the background information they need to take part in the national foreign policy debate and reach their own informed conclusions. FPA is convinced that foreign policy issues are not so complex that citizens cannot understand them if they have access to the facts.

Many of the 18 topics covered in these pages have been prominent in the early stages of the 1984 campaign. Others could become headline issues overnight. All of them seem certain to survive the 1984 campaign and confront the President, the Congress and the nation with difficult choices in the second half of the 1980s.

The material is written in telegraphic style to get the essential facts, policies and alternatives into a limited space. As one reader wrote about the 1980 guide,

> It is one of the best things I have seen for trying to bridge the bewilderment gap . . . between a bumper sticker and a foreign policy quarterly.

As in FPA's well-known annual *Great Decisions* and the *Headline Series*, from which much of the information in this voter's guide is drawn, the facts have been carefully researched and the approach is strictly impartial.

Interested citizens, by their votes and voices, ultimately decide the course of U.S. foreign policy. The editors hope this book will enable more citizens to play their essential part more knowledgeably.

1

President, Congress & Foreign Policy

- ***What is Congress' proper role in foreign policy?***
- ***Who can best define the national interest—the President or Congress?***
- ***Should there be more—or fewer—congressional curbs on the President?***
- ***Is it possible to have a coherent foreign policy without a strong executive?***

BACKGROUND

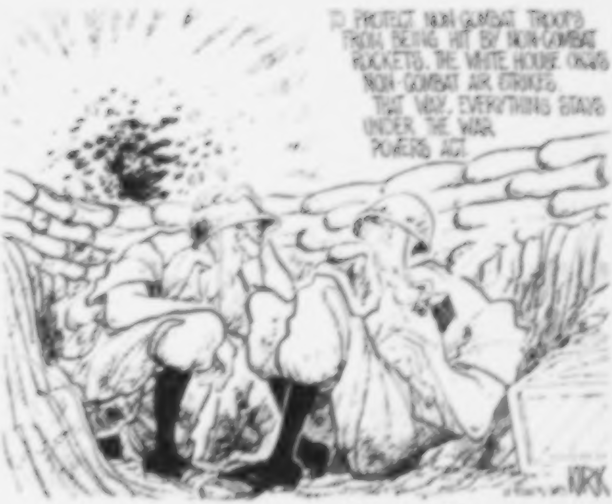
President Ronald Reagan interpreted his election as a mandate for strong executive leadership. Many congressmen agreed. Republicans won control of Senate in 1980, and those who disapproved of congressional activism of 1970s were in new positions of power. Senator John G. Tower (R-Tex.), new chairman of Armed Services Committee, wrote that previous decade's legislation was "ill-conceived, if not actually unconstitutional," and he urged repealing or amending much of it. Senator Charles H. Percy (R-Ill.), new chairman of Foreign Relations Committee, argued for bipartisan foreign policy and said Congress had sufficient oversight. Those who disagreed were not in position to fight back. Many advocates of greater congressional control were not reelected in 1980, among them Senators George S. McGovern (D-S. Dak.), John C. Culver (D-Iowa), and the late Frank Church (D-Ida.). In House, conservative Democrats tended to side with Republicans, giving President a majority.

After 15 years of increasing congressional intervention in foreign policy, pendulum seems to have swung back toward strong executive. Reagan, in tradition of Presidents Franklin D. Roosevelt and Richard M. Nixon, has shown himself unafraid to use powers of his office. For example, Congress was not consulted about decision to invade Caribbean island of Grenada; was formally notified only after Marines had landed in Oct. 1983. Although initially surprised, most members wound up supporting "rescue mission." Reagan hailed "a return to bipartisanship in foreign policy."

Supporters of strong executive argue that this results in a more coherent and consistent U.S. foreign policy. Opponents argue that congressional checks on President's foreign policy assure public support necessary for effective foreign policy.

President and Congress. Fragmentation in foreign policymaking is as old as Constitution. Founding Fathers named President commander in chief of the Army and Navy and gave him power "by and with the advice and consent of the Senate" to make treaties and appoint ambassadors. They gave Congress power to "provide for the common defense," regulate foreign trade, declare war, raise and support armies and a navy. Expenditures for foreign aid are also subject to Congress' "power of the purse"—authorization and (separately) annual appropriation. Constitution gives Congress exclusive power to declare war, but it neither explicitly grants Congress power to send troops abroad nor does it deny such authority to President.

President and Congress have not always seen eye to eye over where country's best interests lay. Over last 200 years, some 100 treaties have been rejected, failed to enter into force, or were withdrawn because of strong opposition; among them, President Woodrow Wilson's ill-fated 1919 Treaty of Versailles following World War I, and second strategic arms treaty (SALT II). But for most of this century, strong executive has prevailed over fairly acquiescent Congress. After Vietnam war and Watergate revelations, many congressmen thought executive had become too powerful. They began writing laws that would give Congress more say in foreign policy, *e.g.*, War Powers Act of 1973, and enlarged size of congressional staff, which greatly increased available independent expertise.


TO PROTECT NON-COMBAT TROOPS FROM BEING HIT BY NON-COMBAT ROCKETS, THE WHITE HOUSE OK'S NON-COMBAT AIR STRIKES. THAT WAY, EVERYTHING STAYS UNDER THE WAR POWERS ACT.
KIRK

Kirk in *The Scranton Times*, PA

Legislative veto. Congressional activism was dealt a blow June 23, 1983, after Supreme Court (*Immigration and Naturalization Service v. Chadha*) voted that "legislative veto" was unconstitutional. When passing a law that delegated broad authority to President or executive agency, Congress would retain right to veto specific actions taken under that law. In its over 50-year history, 196 laws included legislative veto, 89 of them passed between 1970-75. Supreme Court said legislative veto violated separation of powers; could lead to "legislative despotism." Chief Justice Warren E. Burger wrote that if Congress disagrees with executive policy, it can change it in one way, "bicameral passage followed by presentment to the President."

Major laws with legislative vetos:

Arms Export Control Act of 1968. Congress restricted sale of equipment and sophisticated weapons; President to submit semi-annual list of major defense exports.

War Powers Act of 1973. Congress must authorize involvement of U.S. troops in hostilities overseas. Without approval, troops must be withdrawn after 60 days.

Nuclear Non-Proliferation Act of 1978. Congress can veto agreements for export of nuclear facilities.

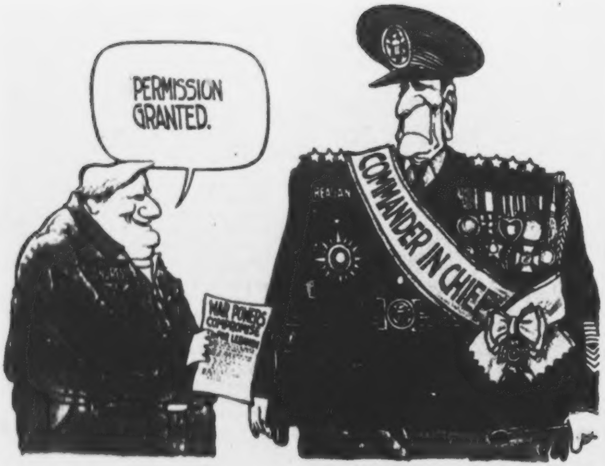
Supporters of Supreme Court decision saw it as affirmation of greater executive power. Congress should now confine itself to setting broad policy rather than getting involved in "all of the minutiae of executive-branch decisionmaking" (Attorney General William French Smith). Opponents said it deprived Congress of "a necessary check on the unavoidably expanding power of the . . . executive . . ." (Justice Byron R. White). In place of veto, many expected Congress to write more detailed laws and rely more on power of the purse.

Has Congress been weakened? Congress invoked War Powers Act for first time, Oct. 12, 1983. Resolution requires President to submit report to Congress within 48 hours setting forth "the circumstances necessitating the introduction of the U.S. armed forces" into hostilities. He must withdraw troops 60 days later (or, in event of "unavoidable military necessity," 90 days) unless Congress declares war or authorizes them to remain longer. It is President's responsibility to determine when troops are in hostile situation.

By fall 1983, casualties in Lebanon were mounting, but President Reagan had not invoked War Powers Act. Some congressmen, among them Senator Robert C. Byrd (D-W.Va.), pressed Reagan to acknowledge troops were in imminent danger. Compromise eventually reached. Congress invoked act itself (leaving President free to challenge it in court in future) and authorized Marines to remain in Lebanon for 18 months. In return, President did not exercise veto and signed bill.

Congressmen hailed resolution as a victory, saying they had been able to place distinct limits on size and scope of mission in Lebanon. Administration, on the other hand, seemed to view it as an endorsement of its policy. Many questioned whether Congress would have right to force President to remove troops at end of 18 months, in light of Supreme Court decision. Ultimate option for Congress would have been to stop funding for Marines in Lebanon.

Congress has used power of purse to influence foreign policy. House curtailed military aid for El Salvador in fall 1983 and adopted an amendment that would withhold 30% of aid until government completed trial of national guardsmen accused of murdering four



S. Kelley in *The San Diego Union*. Copley News Service.

churchwomen in 1980. (Guardsmen found guilty, May 1984.) Congress also withheld funds for mining ports in Nicaragua. To help resolve divisive congressional issues, President appointed bipartisan commissions (e.g., on strategic forces and Central America).

Relations between President and Congress deteriorated in spring 1984, and Reagan charged on April 6 that attempts by Congress to assert itself had undermined U.S. influence and interests around the world. Main areas of difference: Central America, Middle East, Soviet Union. Democrats responded that Reagan had not been candid with them on foreign policy issues; he was blaming Congress for his own failures.

POLICY CHOICES

☐ **Should Congress be involved in day-to-day decisionmaking? As New York's Democratic Senator Daniel Patrick Moynihan put it, "We are no longer simply to be informed. We want to be part of the process."**

Yes. (1) Because Congress mirrors great diversity of opinion and interests across U.S., its participation necessary to legitimize foreign policy. (2) Congressional participation can help prevent headstrong actions that might lead to another Vietnam war. (3) Congressmen and their staffs have expertise they can bring to discussion.

No. (1) The country does not need 535 secretaries of state, each with a different opinion. (2) Congressmen are likely to have parochial attitudes or be beholden to special interests. (3) President needs flexibility to make quick decisions and has greater access to secret information and expertise.

☐ **Is the War Powers Act necessary?**

Yes. (1) President will only heed Congress' advice if a law forces him to do so. (2) Act restored to Congress rightful powers that had been usurped by "imperial presidency" of Nixon. (3) Ensures public support for war and is a way for President to show public opinion is behind him.

No. (1) Until 1968, U.S. involvement in Vietnam had bipartisan support, so having a War Powers Act would not have made any difference. (2) Sends a "dangerous signal" to our enemies, because if they do not think Congress approves U.S. military action, they can wait 60 days for Congress to end it and refuse to negotiate (President Reagan). (3) President would be unable to maintain a long war without congressionally approved funding, so act is unnecessary.

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2

The Arms Race and Arms Control

- ✓ *Do more arms buy greater security?*
- ✓ *Who is winning the arms race?*
- ✓ *Should the strategic and intermediate-range nuclear arms negotiations be combined?*
- ✓ *What is the outlook for arms control?*

BACKGROUND

Since beginning of nuclear age in 1945, U.S. has participated in many arms control negotiations and has signed several accords, notably SALT I and II (strategic arms limitation talks) agreements of 1972 and 1979. Arms race continues, however, since both U.S. and U.S.S.R. want to negotiate from position of strength.

Arms race is becoming increasingly qualitative; technical improvement of strategic weapons, as well as quantitative levels, focus of debate. Some analysts claim development of new weapons systems such as MX intercontinental ballistic missile are destabilizing since they increase threat of first strike; others argue new accurate weapons systems increase stability. Arms control advocates say weapons projects are proposed on premise they will promote stability, but in reality weapons modernization hinders arms control.

Each side wages battle for public opinion; thus President Ronald Reagan accused of using call for resumption of arms control negotiations as a reelection ploy; Soviets accused of encouraging nuclear freeze movement to camouflage own buildup. Soviet-U.S. antagonism in other parts of the world hinders progress in arms control.

Strategic nuclear weapons. U.S.S.R. has edge in number of strategic nuclear missile launchers; U.S. has edge in number of warheads. About 71% of Soviet warheads are on land-based missiles, compared with 23% of U.S. warheads.

Medium-range nuclear weapons in Europe. Since 1977, U.S.S.R. has deployed an estimated 378 medium-range, mobile, triple-warhead missiles, with 243 of them targeted on Western Europe. In Nov. 1983 U.S. carried out 1979 North Atlantic Treaty Organization (NATO) decision and began replacing older generation nuclear weapons in Western Europe with 108 Pershing II and 464 cruise missiles ("Euromissiles"). In response, Soviets walked out of strategic and medium-range nuclear arms talks and deployed additional missiles in East Germany and Czechoslovakia.

MAJOR ARMS CONTROL AGREEMENTS

- 1925 Geneva Protocol prohibiting use of poisonous gas, bacteriological warfare (U.S. joined in 1975). Language of protocol is ambiguous; U.S. and Soviet Union regard it as a no-first-use treaty and reserve right to retaliate in kind in event of chemical attack; other countries regard it as an absolute ban.
- 1959 Antarctic treaty demilitarizing continent.
- 1963 "hot-line" accord providing rapid, reliable communication between U.S., U.S.S.R.
- 1963 limited test ban treaty ending all but underground nuclear tests.
- 1967 Treaty of Tlatelolco establishing Latin American nuclear-free zone.
- 1968 Treaty on the Non-Proliferation of Nuclear Weapons, signed by U.S., U.S.S.R., Britain and some 120 other countries, to prevent spread of nuclear weapons, promote peaceful uses of nuclear energy.
- 1972 SALT I agreement, consisting of: Antiballistic Missile (ABM) treaty of unlimited duration, limiting ABM deployment to two sites in each country, subsequently reduced to one site. Five-year interim agreement freezing number of land- and sea-based ballistic missile launchers; prohibited replacing older, light launchers with modern, heavy ones; provided for verification of adherence through "national technical means" (reconnaissance satellites, electronic and radar surveillance).
- 1974 Threshold test ban treaty prohibiting underground weapons tests with yield exceeding 150 kilotons. (President Reagan opposes Senate ratification until treaty is amended to strengthen verification provisions.)

- 1976 Peaceful nuclear explosions treaty limiting underground nuclear tests for peaceful purposes. (Ratification opposed by President on same grounds as above.)
- 1979 SALT II agreement. Basic framework for SALT II, including principle of "equal numbers" of launchers on both sides, agreed upon at Vladivostok in 1974. SALT II placed missile-launcher ceilings at 2,400 with provision for future reduction; multiple-warhead launcher ceilings at 1,320; number of warheads per intercontinental ballistic missile (ICBM) at 10. Signed by President Jimmy Carter but not ratified by U.S. Senate. (Shelved following Soviet invasion of Afghanistan, Dec. 1979.) Both U.S. and U.S.S.R. promised to abide by its provisions as well as those of SALT I (which expired in 1977). In early 1984 each side raised questions about the other's compliance with this treaty.
- Comprehensive ban on nuclear testing: negotiations, begun in 1978, suspended by Reagan Administration. Administration asserts agreement could not be adequately verified.

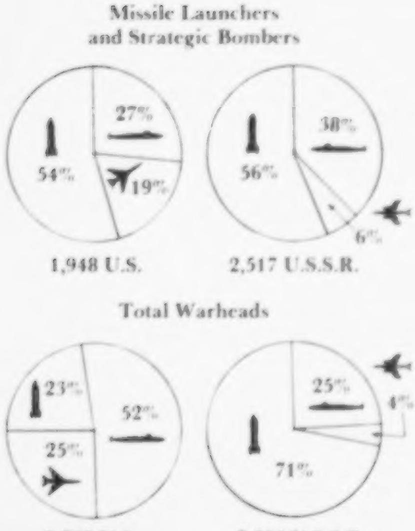
Some argue SALT I and II departed from principle of "equality" between superpowers and gave U.S.S.R. margin of superiority over U.S. Other opponents critical of SALT because both sides have retained huge nuclear arsenals. Supporters of SALT hailed agreements as step in direction of control and eventual arms reduction.

ARMS CONTROL NEGOTIATIONS

Negotiating principles U.S. follows in arms control negotiations are: (1) significant reductions are necessary—a freeze at current levels would assure Soviet advantage; (2) equality in reductions; (3) verifiability, *i.e.*, agreements cannot be based on trust; (4) agreements must really enhance stability.

Strategic arms reduction talks (START). Reagan Administration called for arms reductions as opposed to freezing present deployments. START began in June 1982 in Geneva, Switzerland. U.S. Phase I proposal called for reduction of missile launchers on both sides to 850 and warheads to 5,000. This would necessitate Soviet restructuring of forces to increase proportion at sea (where U.S. has technological and quantitative advantage). Soviet Phase I counterproposal called for ceiling of 1,800 strategic nuclear delivery vehicles for each side. This proposal would permit both sides to build up respective warhead levels while reducing number of launchers.

U.S. Phase II proposal called for equal ceiling on missile throw-weight (weight, including warheads, carried by single missile), where Soviets have advantage. U.S. subsequently dropped a two-phase approach,



Source: Adapted from *DOD Annual Report FY 1981* and *The Military Balance 1982-1983*. International Institute for Strategic Studies.

proposed equal limits on heavy bombers, with number of cruise missiles on each bomber below level set in SALT II.

"Build-down" offered to Soviets in Oct. 1983 by Reagan Administration in return for congressional support of MX. Build-down first proposed by Senators William S. Cohen (R-Me.) and Sam Nunn (D-Ga.). Called for destroying two older nuclear warheads for each new one deployed. Soviets opposed on ground it would cut into land-based missile forces. Opponents of build-down claim it means both sides would deploy new systems of "mass annihilation" as they phase out old, less effective systems.

Stalemate in START primarily result of Soviet reluctance to give up advantage in land-based missiles and U.S. reluctance to limit development of new weapons systems. Fifth round of START suspended indefinitely by Soviets Dec. 8, 1983, to protest Euromissile deployments.

Intermediate-range nuclear forces (INF) negotiations began Nov. 1981 in Geneva. In subsequent months, both sides courted European public opinion, U.S. with "zero option" proposal, Soviet Union with call for freeze to prevent U.S. INF deployment. Reagan Administration's "zero option" plan would eliminate entire class of intermediate-range weapons in Europe. U.S. would cancel deployment of Pershing II and cruise missiles if Soviets would dismantle SS-20s, SS-4s and SS-5s.

"Walk in the woods" by chief U.S. INF negotiator Paul H. Nitze and Soviet counterpart Yuli Kvitsinsky July 1982, near Geneva, resulted in informal agreement on "exploratory package" calling for Soviet reduction of SS-20s to 75 in Europe and U.S. installation of only 75 cruise missiles and cancellation of Pershing II deployment in West Germany; ceiling of 150 medium-range nuclear-capable aircraft for each side and freeze on Soviet intermediate-range missiles east of Urals. "Walk in the woods" package, without amendments, rejected by Reagan Administration and Kremlin.

In Mar. 1983, President Reagan dropped zero-option plan in favor of "interim solution": equal limits at low level on both sides.

INF talks made especially difficult by divergent starting assumptions on both sides. U.S. calculates Soviets have 6 to 1 advantage; Soviets, by including independent British and French nuclear forces, assert approximate balance exists. Reagan Administration insists British and French forces exist only to protect those nations and should not be counted as part of NATO INF. INF negotiations suspended Nov. 23, 1983, due to Soviet protest against Euromissile deployment.

Mutual and balanced force reductions (MBFR) talks between NATO and Warsaw Pact countries on conventional arms cuts have taken place periodically in Vienna since 1973. These talks on reducing conventional forces in central Europe deadlocked by disagreement over size of troop levels. Soviets contend there are about 800,000 troops on each side; U.S. contends Warsaw Pact has an additional 170,000 men. In June 1982 President Reagan proposed that each side reduce troop levels to 700,000; Soviets have suggested a ceiling of 900,000 troops for each side. These levels to be reached gradually. MBFR talks, recessed in Dec. 1983, resumed in Mar. 1984. U.S., in effort to resolve debate over troop totals, suggested counting military units rather than individual soldiers.

At 40-nation **UN conference on disarmament** in Geneva, Americans and Soviets have been meeting since 1979 in attempt to supplement 1925 accord by seeking chemical disarmament. In Apr. 1984, U.S. proposed treaty banning production, possession and use of chemical weapons (see "Defense Budget and Major Weapons Systems"). Moscow so far has dismissed the plan; says it is an attempt to camouflage American buildup of chemical arms.

Main problem is verification procedures. Vice President George Bush said U.S. was "willing to pay the price" of openness by allowing inspections on short notice. Soviets, in significant shift in position in Feb. 1984, agreed to allow permanent on-site verification of destruction of chemical weapons stocks at "declared" sites, but not at suspected ones.

Antisatellite (ASAT) weapons. U.S. is pursuing ASAT research; conducted first test of an ASAT in Jan. 1984. Fiscal year 1985 budget requests $143 million for further research. Arms control advocates dismayed; afraid U.S. committed to conducting dangerous arms race in space. Soviet Union has world's only operational ASAT system, although it is not very reliable.

Congressional sentiment favors negotiating treaty on antisatellite weapons. Congress withheld funds for these weapons in 1984 pending presidential report on their "arms control implications." Also passed law forbidding test against a target in space until good faith effort made to negotiate treaty limiting ASATs. Former Vice President Walter F. Mondale proposed ban on military use of space; suggested moratorium on testing ASAT weapons, and negotiations to ban them.

CURRENT ADMINISTRATION POLICY

Arms control. Initially, Reagan Administration gave low priority to arms control. Considered SALT agreements flawed: they left Soviets with significant strategic advantage; permitted acceleration of arms race; were not verifiable. President Reagan spoke of arms race as having only one participant: Soviet Union. U.S. aim, Reagan Administration stated, was not to seek strategic superiority, but to keep Soviets from attaining it. Some Administration officials see arms control as Soviet device to undercut support for defense spending and weaken consensus in NATO.

Two principles of U.S. strategic policy: (1) Best way to deter war is to maintain sufficient arms, but first U.S. must achieve parity with U.S.S.R. (2) Risk of war is lessened by reducing armaments. Principles considered not contradictory but "two sides of the same coin." Reagan Administration advocates peace through strength and deterrence, followed by verifiable arms reductions.

Strategic triad. Basis of Administration's modernization program is effort to increase survivability and capability of U.S. air-, sea-, and land-based systems (the "strategic triad"). Administration considers strategic weapons buildup of B-1 and "Stealth" bombers (air leg), Trident submarine (sea leg) and MX missile (land leg) a necessary prelude to negotiating arms reductions (see "Defense Budget and Major Weapons Systems"). Reagan Administration considers it essential to ensure U.S. "state-of-the-art" readiness against modernized Soviet systems; claims U.S. would never seek to develop first-strike capability.

Scowcroft report. Faced with congressional opposition to MX, President Reagan in Jan. 1983 appointed bipartisan Commission on Strategic Forces, chaired by retired Air Force general and former national security adviser Brent Scowcroft. In Apr., commission recommended basing MX missiles in existing Minuteman silos and at same time developing small, mobile, single-warhead ICBM for deployment in 1990s. Commission recommended President in the future count warheads rather than missiles in arms control negotiations. Commission also disputed Administration's "window of vulnerability" theory, which holds that Soviets could launch first strike on U.S. silos.

President Reagan has rejected an ASAT treaty, which he says can't be verified. (Critics dispute this.) Defense Secretary Caspar W. Weinberger opposes freeze on ASAT development; says freeze would cause

5

U.S. to fall far behind Soviets. Soviet leader Konstantin U. Chernenko has urged treaty banning weapons in outer space.

Future prospects. Reagan Administration wants to bring Soviets back into START and INF talks, and in early 1984 called for resumption of dialogue. U.S. made new proposals in Apr. 1984 on troop reductions in Western Europe and on chemical weapons treaty. At that time, both sets of bilateral negotiations (START and INF in Geneva) remained suspended; multilateral talks (MBFR in Vienna, chemical weapons in Geneva) continued.

Kremlin seemed unwilling to resume bilateral talks until after U.S. presidential election in Nov. 1984. In meantime, U.S. hoped to clarify technical issues involved, so agreements could be reached more quickly later. Soviets have demanded Pershing and cruise missiles be removed before INF talks could continue; U.S. sees possibility of combining these talks with START to get around issue. U.S. believes the sustained period of Soviet succession politics (the Reagan Administration so far has had to deal with three Soviet leaders) has hampered ability to make decisions on arms control.

POLICY CHOICES

☐ **Declare moratorium on testing and deployment of strategic nuclear weapons.**

Yes. (1) U.S. already has large enough nuclear forces to meet Soviet threat. (2) Freeze of operational nuclear forces at current levels essential first step to reducing nuclear weapons. (3) Verification can be assured by satellites, thus moratorium self-enforcing. (4) If Soviets resume tests and deployment, U.S. could rapidly catch up with little lost.

No. (1) Moratorium will entrench Soviet lead in land-based strategic weapons, give them destabilizing first-strike advantage. (2) U.S. declaration of moratorium will not induce Soviets to follow; tantamount to unilateral disarmament. (3) Soviets have history of not abiding by formal agreements. Why should they abide by informal agreement, not subject to foolproof verification? (4) U.S.S.R. will not abandon "imperial ambitions" until U.S. restores and maintains effective Western deterrent.

☐ **Stop U.S. strategic weapons modernization program.**

Yes. (1) Soviets do not have first-strike capability; their land-based strength is offset by U.S. bomber and submarine strength. (2) U.S. should focus on building second-strike weapons only, as opposed to stationary ICBMs with multiple warheads, which are inherently destabilizing. (3) Additional modernization will only increase "overkill" capability, will not enhance security of either side, and will fuel arms race.

No. (1) U.S., having neglected military buildup of strategic forces while Soviets kept modernizing, must now catch up. (2) Peace through arms reductions can only be achieved by first restoring strategic balance which is now in Soviets' favor. (3) Strategic modernization will lessen Soviet dominance in category of land-based ballistic missiles and reduce chances of nuclear blackmail.

☐ **Combine INF and START talks.**

Yes. (1) Missiles are missiles, and past disagreement on the thin line separating long- and intermediate-range arms has hindered progress in negotiations. (2) Would provide Soviets with face-saving device to return to INF negotiations. (3) Since there is greater balance overall than in specific weapons areas, the opportunity to develop new trade-offs, and eventually an agreement, increases. (4) The contentious problem of British and French forces could more easily be solved since these weapons would be a smaller fraction of the total under consideration.

No. (1) Combining talks would complicate strategic weapons negotiations and lessen chances for possible "short term" agreement on intermediate-range forces. (2) Would reward Soviets for breaking off the Geneva talks. (3) Combining the talks could wipe out what little progress has already been made in the separate negotiations. (4) British and French forces are not part of NATO forces. Agreeing to include them in talks would give the West Europeans a role in U.S. strategic decisionmaking.

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3

Defense Budget and Major Weapons Systems

✓ ***How much must we spend to guarantee security?***

✓ ***Are we getting the most for our defense dollars?***

✓ ***Are our spending priorities correct?***

✓ ***Should we build the MX missile and B-1 bomber?***

✓ ***Should the U.S. build a "star wars" defense?***

FACTS

- Reagan Administration proposes spending 29% of Federal budget ($264.4 billion) on defense outlays for fiscal year (FY) 1985 (Oct. 1, 1984–Sept. 30, 1985), 9.3% real increase over FY 1984.

Military Spending
(in $ billions for fiscal years)

1981	1982	1983	1984	1985	1986
$156.1	$182.9	$205.0	$231.0*	$264.4*	$301.8*

* Proposed Feb. 1984

- **Proposed military budget** for FY 1985 is largest since World War II in real dollars (allowing for inflation). Original Federal budget request of $925.5 billion included $305 billion in budget authority (legal authorization to obligate funds for one or more years), $264.4 billion in outlays (money to be spent in this fiscal year), and deficit of $180 billion. Defense spending to increase by $33 billion over last year; nondefense spending to fall by $5 billion. General purpose forces to take 77% of budget ($235 billion); strategic nuclear forces to take 23% ($70 billion).

See table of Major Weapons Programs on pp. 28-29.

Budget Authority Breakdown

Service	Amount allocated (FY 1985/in billions)	Real growth (FY 1984-85)
Air Force	$108.7	15%
Navy/Marine Corps	$101.3	13%
Army	$77.9	10%
Defense Agencies	$17.6	—

- **Critics call for cuts** in defense budget (in range of $20 billion–$60 billion in budget authority in FY 1985) to reduce deficit, restore some cuts in social programs. Say if Administration wants to increase military spending, it must raise new revenues. Wall Street afraid accelerated arms spending would hike deficit to unprecedented levels and harm economy.
- In public opinion poll (Jan. 17, 1984), 48% respondents favored reducing deficit by cutting military spending, 34% by cutting social programs, 24% by increasing taxes.

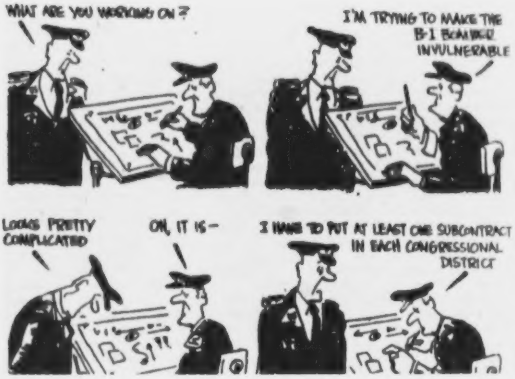
BACKGROUND

Defense budgets have fluctuated significantly over time. Up sharply for FY 1964-68 because of Vietnam war. From peak in FY 1968 declined throughout most of 1970s, made turnaround in FY 1980, and increased appreciably in FY 1981-84.

Reasons for turnaround. Because of hostage crisis in Iran and Soviet invasion of Afghanistan (both began 1979), Carter Administration proposed sizable spending increases in FY 1981. President Ronald Reagan elected Nov. 1980 and promised to revitalize defense effort. Proposed major rearmament program to counter what he called relentless Soviet military buildup over last 15 years.

Initial public and congressional support for larger defense budgets cooled. Administration on defensive by late 1982. Several major weapons systems proposed by Administration met strong opposition in Congress, which in Dec. 1982 took unprecedented step of rejecting a strategic system President wanted—"dense pack" basing mode for MX land-based missile.

Presidential panel headed by former national security adviser Brent Scowcroft then appointed to study


WHAT ARE YOU WORKING ON?
I'M TRYING TO MAKE THE B-1 BOMBER INVULNERABLE
LOOKS PRETTY COMPLICATED
OH, IT IS—
I HAVE TO PUT AT LEAST ONE SUBCONTRACT IN EACH CONGRESSIONAL DISTRICT

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basing options. Issued report in April 1983 disputing ***"window of vulnerability"*** theory advanced by Reagan in 1980 presidential campaign. Recommended MX missile be based in existing Minuteman silos in Wyoming and Nebraska. Also recommended development of smaller land-based single-warhead intercontinental ballistic missile (ICBM) for deployment in 1990s.

Support for reductions in defense budget increased in 1983-84. The word "reduction" in defense budgets can mean several things—an actual reduction in dollars for a given item, a reduction due to inflation when funding level stays the same, or less of an increase than previously planned, but still an increase. Most calls for reduction mean slower growth in spending, not real cuts. Cuts in budget authority for FY 1985 will not necessarily lead to reduced outlays in that year, since some programs are funded for multiyear period.

Critics charge that military budget is too high. Well-publicized letter (Feb. 28, 1983) from four former high-level officials (Robert S. McNamara, Cyrus R. Vance, McGeorge Bundy, Elmo R. Zumwalt Jr.) asserted that the "economic foundations of our national security, which are every bit as important as the defense component, have been undermined" by high Federal budget deficits. Called for annual inflation-adjusted increase of 5% in defense budgets. Urged President to scrap plans for MX, B-1, and F-15 fighter plane.

President's Grace Commission (led by New York businessman J. Peter Grace) concluded (Jan. 1984) billions of dollars could be cut from defense budget without weakening America's defense. Scored Department of Defense procurement, military retirement benefits, poor inventory management, and lack of competitive purchasing.

Budget priorities also under fire by those who complain that military is buying too many expensive weapons systems, not spending enough for operations and maintenance. Defense manpower costs have been shrinking (from 45% of budget in FY 1984 to 42.3% in FY 1985), while research and development, procurement and construction rising (from 45.4% in FY 1984 to 48.9% in FY 1985).

Poor quality control. A Pentagon report (Feb. 1984) concluded that major defense contractors had cost the government millions of dollars through questionable deals with subcontractors. Former Deputy Secretary of Defense Paul Thayer estimated that 10-30% cost of weapons (up to 50% in electronics industry) could be saved if industries built things correctly the first time.

Role of Congress. While calling for reductions, congressmen frequently add programs not requested by President that result in money, jobs and votes in home districts. (Thus Pentagon is prevented from closing bases, since they provide jobs; also may keep obsolete or low-priority weapons in production.) In FY 1983, Congress added $2.8 billion in programs not requested ($4.6 billion in FY 1984). Congressman Les Aspin (D-Wisc.) estimates defense bill is 12-15% higher annually because of this.

Difficult for Congress to cut defense spending. Much of budget in a given year cannot be controlled, due to contracts and obligations from prior years and pay for retired military. Most easily cut accounts are operation and maintenance, which are thus often subject to reduction.

Battle of percentages. Proposed FY 1985 defense budget originally called for 13% real (adjusted for inflation) increase in budget authority over previous year, representing 9.3% rise in outlays. This request for budget authority subsequently reduced to 7.8% and would represent 6.9% increase in outlays. Many Democrats would favor an increase of about 3.5%. Bipartisan sentiment in Congress likely to support about 5% rise in real growth: former Vice President Walter F. Mondale supports 4% increase; Senate Republican leadership reported to favor 7.5–8% increase.

New ideas. Military Reform Caucus (founding member of congressional group: Senator Gary Hart, D-Colo.) sees no correlation between larger defense budget and greater effectiveness of U.S. forces: "More money does not mean more defense." Emphasizes need to improve quality, not quantity. Believes Pentagon too concerned with spending money on weapons: goal is designing quality weapons not too complex for use in combat. Views Pentagon as hostile to reform.

Advocates of increased spending on technology disagree. Senator John Glenn (D-Ohio): "I do not agree with this smaller is simpler is better is cheaper approach."

Budget reform. Senator John G. Tower (R-Tex.), chairman of Senate Armed Services Committee, in 1984 called for new approach to arms budgets. Says annual budgeting is polarizing relationship between Congress and President. Proposes reduction in number of committees with role in budgets (defense budget is now debated by Budget, Armed Services, and Appropriations committees in both Houses of Congress), putting Pentagon on two-year budget instead of an annual one, and letting President veto line items.

CURRENT ADMINISTRATION POLICY

President Reagan, on election, promised substantial rise in defense spending to restore military capability to meet present and future security needs. His priorities, as reflected in defense budget: modernization of nuclear and conventional forces, increased research and development, and some expansion in size of armed forces. Administration says defense budget is large because threat is large. Secretary of Defense Caspar W. Weinberger: "Everybody wants a strong defense; nobody wants a strong defense budget."

Proposed five-year (FY 1985-89) defense program to cost $1.7 trillion in budget authority and $1.5 trillion in outlays; FY 1985 budget request is part of this program. However, slowdown in growth of defense budget is planned for "outyears" (FY 1986-89). Actual expenditures so far have been somewhat lower than original plans.

Struggle between Administration and Congress over weapons programs. Many major weapons programs endorsed by Administration met strong opposition and became issues in 1984 presidential campaign. MX missile may be most controversial weapons project in U.S. history and became to critics the symbol of bloated defense spending. Report by General Accounting Office (May 1984), disputed by Pentagon, doubts ability of MX to accomplish objective of destroying Soviet land-based missiles.

Original basing plan for this system rejected by Congress; no consensus on new plan. By narrow margin, House of Representatives in May 1984 voted funds to begin construction of 15 MX missiles in April 1985 if Soviets fail to return to arms control talks.

B-1 bomber project, cancelled in 1977 by President Jimmy Carter, who called it obsolete and vulnerable to Soviet defenses, reinstated by President Reagan as valuable transitional bomber, since B-52s wearing out. Some doubt it is needed, since new Stealth bomber is to be available a few years later. Huge cost: Pentagon estimates 100 planes to cost $20.5 billion. Congress, believing cost estimate too low, passed legislation in summer 1983 requiring Pentagon to reestimate cost of system. Response of Secretary Weinberger (Feb. 1984) supported original cost figures. Congress afraid purchases won't stop at 100 but will expand to 200-300 aircraft.

'Star wars.' In speech of Mar. 23, 1983, President Reagan called for "strategic defense initiative" (SDI): long-term development of military technology (*e.g.*, lasers, particle beam weapons) that would render attacking nuclear missiles "impotent and obsolete." Development and deployment of space-based defense system would represent a fundamental revision of U.S. nuclear strategy, which so far has relied on threat of nuclear retaliation to deter Soviet attack. Costs for such a defense: $2 billion for research and development in FY 1985, and an additional $24 billion through FY

MAJOR WEAPONS PROGRAMS

	Background	Cost	Status
AIRCRAFT B-1 bomber	Designed in early 1970s as successor to B-52. Controversial. ***Supporters assert*** B-52 is an old aircraft and needs replacement; no new ones built since 1962. B-1 could take off from bases quickly, less vulnerable on the ground than B-52. Believe too much reliance should not be placed on cruise missiles, to be carried by B-52s. ***Critics charge*** B-1 easily located on radar, unlike cruise missiles. Prefer to wait for new Stealth bomber.	FY 1985 request: $8.2 billion for multiyear procurement of 34 planes.	Flight tests to begin in late 1984.
Stealth	New plane said to be able to evade radar detection. Should assure U.S. ability to penetrate Soviet air defenses into 21st century.	Not made public for security reasons.	Secretly tested since 1978; to be deployed in early 1990s.
Tactical aircraft: F-15 and F-16	Pentagon wants to modernize and expand tactical air force. Wants to build 300 new fighters annually to reach goal of 40 fighter wings (currently 37).	FY 1985 request for 48 F-15s (cost: $2.23 billion) and 150 F-16s (cost: $4.23 billion).	Critics want to cut F-15s. Because of problems with production and maintenance of engine, Air Force announced in Feb. 1984 that it would open new contract to competitive bidding.
SUBMARINES Trident	In 1970s U.S. added new missile and new submarine, both called Trident. New submarine much quieter than its predecessor (the Poseidon), can stay at sea longer and carry more missiles.	Navy has requested one submarine for FY 1985, to cost $1.8 billion.	First Trident submarine deployed in Oct. 1982. Three now at sea, eight more have been approved. Trident I missile first operational in 1979; Trident II to be deployed in 1989.

MISSILES			
MX	"Missile experimental": land-based 10-warhead nuclear missile system. Introduced by Carter Administration to counter perceived vulnerability of aging Minuteman missiles. Reagan renamed it the "Peacekeeper" and believes construction important bargaining chip to encourage Moscow to negotiate arms reductions.	FY 1985 request for 40 missiles (cost: $5 billion).	Administration wants 223 total (100 to be deployed in silos). During FY 1984, funds for 21 missiles approved; for FY 1985, funding for 15 missiles provisionally approved by House. Initial deployment date of late 1986 in doubt due to technical difficulties.
Cruise	Highly accurate, pilotless aircraft that can be launched from air, land or sea and can fly short or long distances. Small, cheap, can avoid radar by flying low. Air-launched version carried by B-52 bomber. Can be armed with nuclear or conventional weapons, which has led to dispute as to whether it is a strategic weapon. Soviets say it is, Americans say it is not.	FY 1985 request for $1.5 billion.	Initial deployments now taking place in Europe. Large-scale protests in Canada (Apr. 1983) over missile tests.
Pershing	Medium-range nuclear missile.	FY 1985 request for 93 missiles (cost: $472 million).	Currently being upgraded. Deployment in Europe began Nov. 1983.
Patriot	Army's main anti-aircraft missile; controversial because now being transformed so it can shoot down Soviet short- and medium-range ballistic missiles. Arms control advocates fear this could undermine 1972 Antiballistic Missile treaty (part of SALT I).	FY 1985 request for 585 missiles (cost: $1.3 billion).	Army ultimately wants 103 combat units with 6,000 missiles (to cost $11 billion). For FY 1984, 287 missiles approved. According to 1983 review by Government Accounting Office of earlier data, missile has so far demonstrated performance problems and low reliability.
Small ICBM "Midgetman"	Single-warhead nuclear missile now under development. Basing mode undetermined, but may be mobile. Favored by some MX opponents and supporters of "build-down."	FY 1985 request for $465 million.	Flight tests scheduled for 1988, deployment for 1992.

1989. Two panels of experts convened by Administration reported favorably on technical feasibility and strategic desirability of space-based missile defense.

Study panel of the Union of Concerned Scientists called such a defense "technologically unattainable" (Mar. 1984); preliminary background study commissioned by congressional Office of Technology Assessment (Apr. 1984) concluded the prospect for success of such a system is "so remote that it should not serve as the basis of public expectation or national policy." Former Vice President Mondale said in criticism: "I can think of only one reason to support star wars. Fairy tales are often more appealing than reality."

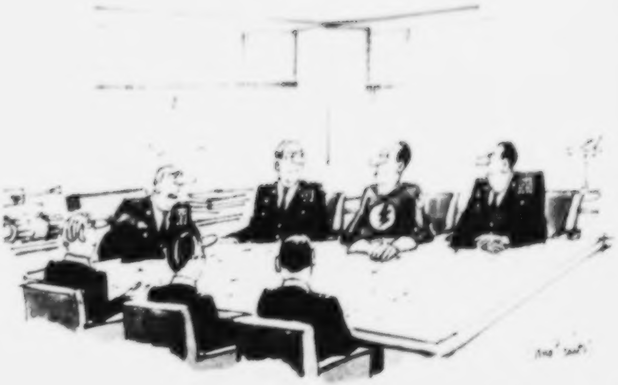
Aside from technological problems, critics charge it would violate Antiballistic Missile (ABM) treaty of 1972 and cause other arms control efforts to collapse. President Reagan has said, however, that pursuing the SDI is "consistent with our obligations under the ABM treaty."

Chemical weapons. President Reagan supports modernization of U.S. inventory, says U.S. must retain "limited" capacity to deter Soviets. U.S. arsenal of usable lethal chemicals estimated at 30,000-40,000 tons. Soviet arsenal believed by many to be much larger.

For FY 1985, Administration requested $1.2 billion for chemical warfare activities, including maintaining stockpiles, destruction of obsolete weapons, and purchase of protective gear. No money for production sought, and Congress so far has refused to approve. Pentagon would like to build binary weapons (containing two chemicals that become lethal when mixed). However, study by Congressional Research Service suggests binary weapons may be less efficient as weapons and more conducive to arms proliferation and terrorist use than existing types.

President Reagan on Apr. 4, 1984, proposed international treaty to ban production, possession and use of chemical weapons (see "The Arms Race and Arms Control").

Administration-Congress negotiations over budget in 1984 complicated by struggle between Senate, controlled by Republicans, and House, controlled by Democrats. Congressional Budget Office termed the FY 1985 request a "significant challenge to Congress." Democrats considered size of deficit one of Reagan's



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"General Hoskins, I don't care if you *are* in charge of our star-wars defense. You must wear a regulation uniform."

largest political liabilities and focused on defense budget as major cause of problem. Question, they say, is not whether military budget would be cut, but by how much. (Congress cut FY 1984 request by $12.5 billion.)

Administration complains Congress "nickels and dimes it to death"—in FY 1984, Congress agreed at first to 5% growth in military spending, but this reduced to 3.5% by time appropriations bill passed. President wants authority to change bills line by line instead of accepting or vetoing them in entirety. This could prevent Congress from adding favorite projects which increase budget. However, Congress unlikely to accede to threat to its prerogative.

POLICY CHOICES

☐ **U.S. should reduce military spending.**

Yes. (1) Large military budgets are prime cause of large deficits, which undermine economy and nation's security. (2) Defense spending has hurt domestic social programs; has made poor poorer. (3) Increased defense spending can actually decrease national security by intensifying arms race and heightening existing animosities.

No. (1) Cutting military spending is not necessary to reduce deficit. There are other ways less costly to national security to reduce deficit. (2) President Reagan's election in 1980 was a mandate to rearm America. A strong defense requires sacrifices. (3) Spending is needed now to counter decline of defense forces and catch up to Soviets; postponing projects or stretching out payment is more costly in long run, and perhaps dangerous to our security.

☐ **U.S. should suspend construction of MX and B-1.**

Yes. (1) Both programs are expensive and of questionable utility to U.S. defense needs. (2) B-1 will come on line about the same time as Stealth aircraft; therefore there is no need for B-1 as transitional bomber. (3) MX should not be built until basing problem solved: it will be as vulnerable as Minuteman if placed in existing silos.

No. (1) Both MX and B-1 are important bargaining chips in arms reduction talks. (2) There is no guarantee when Stealth will be ready, or if it will work. B-1 is necessary replacement for aging B-52s. (3) Our land-based ICBM forces need modernization, and we should not have to rely totally on our strategic bomber and submarine forces.

☐ **U.S. should build a space-based ABM defense.**

Yes. (1) This would reduce the danger of nuclear war on earth—"clean wars" could be fought in space. (2) A space defense would take time to develop, but would provide a reliable and total defense. (3) ABM treaty, which Soviets may be violating, does not rule out research and development of space-based defense.

No. (1) It would accelerate the arms race and would increase likelihood of accidental nuclear war. (2) There is little evidence that it would work; before it could be deployed, Soviets might be able to make it obsolete by simple countermeasures. (3) An ABM system, if deployed, would violate the treaty. Also would be extremely expensive (would cost hundreds of billions, according to critics).

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4

Nuclear Proliferation

- ✓ ***What can be done to slow and, if possible, stop the spread of nuclear weapons?***
- ✓ ***Should U.S. and other industrial suppliers tighten up rules on the export of sensitive technology?***
- ✓ ***Should the U.S. work to improve the surveillance of nuclear facilities worldwide?***

BACKGROUND

Six nations belong to nuclear club—U.S. (1945), Soviet Union (1949), Britain (1952), France (1960), China (1964) and India (1974). Two states, ***Israel*** and ***South Africa***, are widely believed to possess nuclear weapons or ability to assemble them on short notice.

Other nations want the bomb and may be trying to get it. Nations want bomb for several reasons—prestige; political clout; fear of attack, blackmail, terrorism; fact that a neighbor already possesses it. ***Pakistan*** feels threatened by India's superior conventional forces, feels it must match capability demonstrated in India's 1974 nuclear test. ***Libya*** and ***Iraq***, hostile to Israel, wish to advance their positions within Arab world. Still other countries may wish to acquire bomb someday. ***South Korea*** feels threatened by ***North Korea***. ***Taiwan***, like Israel and South Africa, is a pariah state. ***Brazil*** and ***Argentina*** are rivals in Latin America. Spread of nuclear weapons, most observers fear, will make international conflict more likely, less predictable, more dangerous.

Controlling the atom. After its destruction of Hiroshima and Nagasaki by atomic bombs in 1945, U.S., in the Baruch Plan of 1946, offered to turn over its nuclear monopoly to an international authority to administer peaceful uses, prohibit military use. Soviet Union rejected plan. U.S. tried different approach in Atoms for Peace (1953); it offered to help countries develop nuclear energy in exchange for their pledge to use technology for peaceful purposes.

The International Atomic Energy Agency. IAEA, established in 1957, promoted development of nuclear power; later, it implemented system of international safeguards—reports, camera surveillance, inspectors—to regulate new technology's peaceful use.

Soviet Union established its own version of Atoms for Peace in Communist bloc, but nuclear aid to China backfired because of Sino-Soviet split. China detonated its first nuclear device in 1964, greatly upsetting U.S. and U.S.S.R. However, in 1983, China joined IAEA and told U.S. it would insist on international safeguards on nuclear materials and equipment that it might export.

NPT. Superpowers signed a nonproliferation treaty (NPT) in 1968 (entered into force in 1970). Nuclear-weapons states (U.S., U.S.S.R., Britain) agreed not to help nonweapons states acquire nuclear weapons or explosive devices; nonweapons states signatories agreed to forswear manufacture or acquisition of the bomb. Right of all parties to develop nuclear energy for peaceful purposes was termed "inalienable," but nonweapons states had to agree to place all their nuclear facilities under international safeguards and inspection.

NPT, to date, ratified by 121 nations. Treaty is far from perfect. Three weapons states (France, China, India) have not signed (although France said it would act as though it were party to the NPT, and China said it does not engage in proliferation). Other key states with nuclear programs—Argentina, Brazil, Israel, Pakistan, South Africa—have not signed; on 3 months' notice any party can withdraw from treaty.

Nonetheless, many regard NPT as success; it has established nonproliferation as norm for international behavior; NPT establishes a formal, legal obligation by a state to renounce nuclear explosives and accept verification of this by an international body.

NPT is a necessary step, but not by itself sufficient. India exploded nuclear device in 1974 and claimed it developed device without foreign help. But plutonium came from Canadian-supplied nuclear reactor; heavy water supplied by U.S. Fifteen industrial countries, including Soviet-bloc members, worked together afterward to prevent "future Indias" and tightened up rules and procedures governing nuclear exports. Export sales were made conditional on customer country's acceptance of international safeguards; customer countries required to pledge that nuclear exports would not contribute to explosives production.

U.S. policy. Under Presidents Gerald R. Ford and Jimmy Carter there was much effort by U.S. to focus international attention on proliferation risks of plutonium-reprocessing technology. Domestic counterpart of NPT was **Nuclear Non-Proliferation Act of 1978**, whereby U.S. requires nonweapons states to accept safeguards on all their peaceful nuclear activities (full-scope safeguards) or face unilateral cutoff of U.S. fuel and equipment.

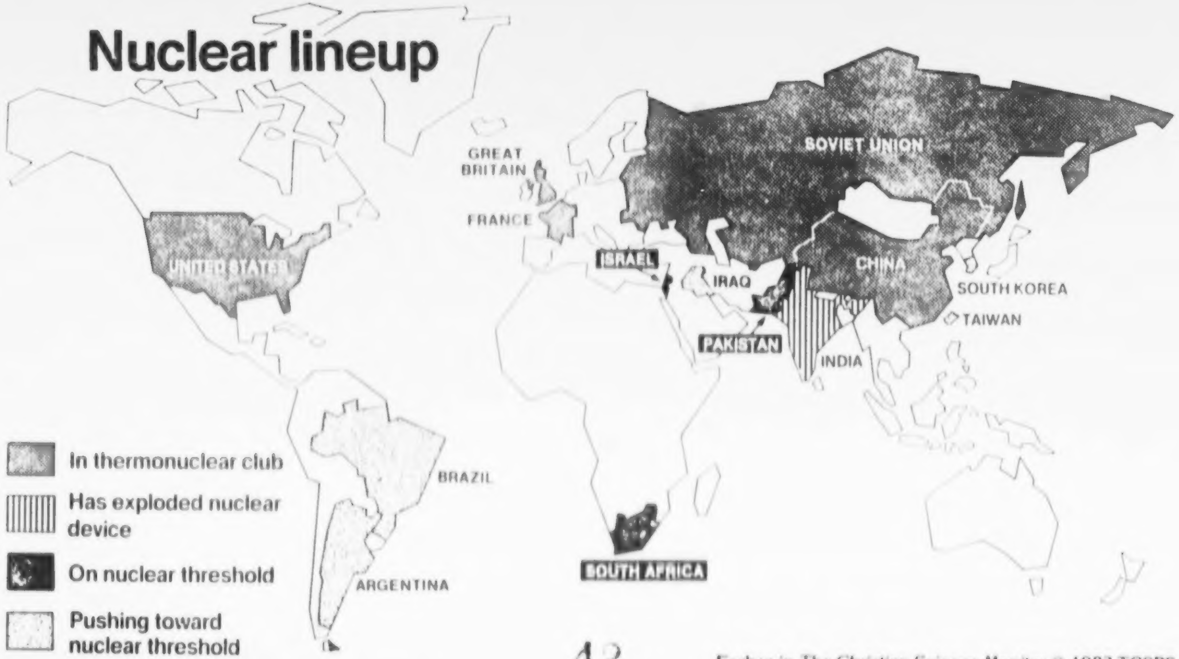
There were problems, however, with Pakistan and India. U.S. suspended aid to Pakistan from Sept. 1977 to Apr. 1978, and again after Apr. 1979, because of Pakistan's acquisition of sensitive nuclear hardware and apparent interest in building the bomb. After Soviet invasion of Afghanistan in Dec. 1979, U.S. backtracked in order to improve security ties; in 1981, it proposed a six-year, $3.2 billion package of economic and military aid for Pakistan, including 40 F-16 aircraft.

India objected to unilateral and retroactive character of 1978 U.S. law, which ran directly contrary to the U.S.-India nuclear cooperation agreement. By executive order, U.S. in 1980 continued to ship nuclear fuel to India; The White House fought off attempt by Congress to overrule fuel shipment.

CURRENT ADMINISTRATION POLICY

Reagan Administration initially showed little interest in nonproliferation issues, but the June 1981 raid and destruction by Israel of Iraq's Osirak reactor refocused

Nuclear lineup


GREAT BRITAIN
SOVIET UNION
FRANCE
UNITED STATES
ISRAEL
IRAQ
CHINA
SOUTH KOREA
TAIWAN
PAKISTAN
INDIA
BRAZIL
SOUTH AFRICA
ARGENTINA
In thermonuclear club
Has exploded nuclear device
On nuclear threshold
Pushing toward nuclear threshold

Forbes in *The Christian Science Monitor* © 1983 TCSPS

U.S. attention. Afterward, President Ronald Reagan emphasized continuing U.S. support for NPT and IAEA safeguards system. He also asked Senate to ratify Protocol I of Treaty of Tlatelolco (signed by Carter). The Protocol committed U.S. not to station nuclear weapons in its territories in Caribbean; it was ratified by unanimous vote in Nov. 1981.

Reagan abandoned Carter drive to slow plutonium reprocessing in Western Europe and Japan, arguing that these countries posed no proliferation risk. U.S. and other nuclear suppliers in 1982-83, however, prepared more detailed lists of technology, equipment and materials subject to strict export controls. They detailed a "trigger list," designed to increase obstacles for countries attempting to buy crucial nuclear hardware on piecemeal, covert basis.

U.S. has increased both financial and technical assistance for IAEA, increasing the agency's ability to carry out safeguard functions. U.S. provides 30% of IAEA budget; the safeguards budget increased from $5 million in 1975 to $32.6 million in 1984—one third of IAEA budget. Following a Sept. 1982 vote by agency to withdraw Israel's credentials, U.S. withheld payments to IAEA and said it was "reassessing" its participation. U.S. resumed dues payment and participation in IAEA in early 1983, following resolution of conflict over Israel's membership.

Wavering U.S. policy? The U.S. has loosened restrictions, permitting training and maintenance services for two South African reactors. U.S. agreed in 1982 to have a third country, France, replace it as supplier of uranium to India, circumventing U.S. law. In June 1983, U.S. said it would export nuclear components to India if no other suppliers could be found. In Apr. 1984, U.S. signed nuclear cooperation agreement with China. There was some question, however, about China's commitment to nonproliferation goals.

Administration in 1981 allowed sale to Argentina of computer system that can be used in nuclear weapons production; Aug. 1983, U.S. approved a West German resale to Argentina of American-produced heavy water. Critics therefore questioned President Reagan's seriousness when he said in 1983, "Nuclear nonproliferation must not be the forgotten element of the world's arms control agenda."

POLICY CHOICES

✓ **What useful measures can U.S. take to help stop bomb's spread?**

☐ **U.S. should help improve threatened nations' security.**
Yes. (1) A U.S. security guarantee to allies would remove their need for nuclear weapons. (2) Successful prevention of proliferation in South Korea and Taiwan depends on U.S. support for their defense. (3) U.S. conventional arms sales (for example, to Pakistan) will reduce their interest in nuclear option.
No. (1) Security fears (Israel's, for example) cannot be answered by U.S. support alone. (2) For a number of reasons, it is highly unlikely that U.S. government would ever offer security support to South Africa, Libya or Iraq. (3) F-16 warplanes for Pakistan would provide very good delivery system for reaching New Delhi with nuclear device.

☐ **U.S. should work with industrial countries to tighten up international rules on nuclear exports.**
Yes. (1) Nations that want bomb probably can get it eventually, but Nuclear Suppliers Group can make it much harder for them. (2) U.S., U.S.S.R. have parallel interests and can work together in this regard. (3) Ban by suppliers on key nuclear exports—reprocessing and enrichment equipment—to sensitive regions, such as Middle East and South Asia, will help limit dangers of nuclear escalation.
No. (1) Favorable behavior cannot be brought about by simple cutoff of nuclear trade and assistance. (2) Unilateral restrictions cannot stop bomb's spread. Will antagonize countries—Pakistan, Brazil, Argentina—now friendly to U.S. and hostile to U.S.S.R. (3) Nuclear-weapons-free zone idea will work better when initiative comes from countries within region, rather than imposed by great powers from outside.

☐ **U.S. should work to strengthen IAEA.**

Yes. (1) IAEA serves important function of providing "timely warning" of irregularities in safeguard procedures. (2) IAEA, a nonpolitical organization, helps enforce notion of nonproliferation as norm for international behavior. (3) IAEA can perform its job better if it has greater financial, technical support from key member countries.

No. (1) IAEA cannot be relied on to provide information on whether a country is "going nuclear." U.S. and Western intelligence is more dependable. (2) IAEA is becoming politicized; it tried to throw Israel out in 1982. (3) Political obstacles limit effectiveness of IAEA: there are no IAEA surprise visits, member countries have veto power over inspectors.

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5

Jobs and International Trade

✓ *How does foreign trade affect jobs at home?*

✓ *Should the U.S. protect industries from foreign competition?*

✓ *Can the U.S. compete against countries that subsidize their exports?*

FACTS

- In 1983, U.S. goods and services exported ($334.2 billion) once again less than those imported ($366.4 billion)—producing record current account deficit.
- U.S. is world's largest trading country, accounting for 10% of world's $2 trillion of exports.
- When the dollar increases in real value by 1%, it adds $2 billion to U.S. trade deficit.
- Every $1 billion of trade deficit costs 25,000 jobs.

U.S. Trade and Major Partners in 1983
(in billions of U.S. dollars)

	Exports	Imports	Balance
EC	$43.6	$43.9	$ -0.3
Canada	$37.9	$52.1	$-14.2
Japan	$21.6	$41.2	$-19.6
OPEC	$15.4	$25.1	$ -9.7
Non-OPEC LDCs	$56.9	$77.2	$-20.3

BACKGROUND

Great Depression. High tariffs in 1920s caused world trade to contract; helped push country into Great Depression of 1930s. Since then, U.S. has advocated free trade as path to economic growth and political stability. "If we could get a freer flow of trade . . . we might have a reasonable chance of lasting peace" (Cordell Hull, secretary of state 1933-44). According to free-traders, if each country trades what it produces most efficiently (known as comparative advantage) and trade barriers are low, world trade will expand.

Postwar tariff trends. U.S. emerged from World War II as dominant economic power, well-positioned to promote and enforce free trade. Led allies in formation of General Agreement on Tariffs and Trade (GATT) group in 1947. Key to GATT is ***reciprocity:*** tariff reductions should be mutually advantageous. Membership in GATT has grown from original 23 countries to 90, accounting for four fifths of world trade. U.S. tariffs dropped from average 47% value of imports in 1934 to 5% in 1983. Value of U.S. exports since 1934 has increased 91-fold (in current, not real, dollars).

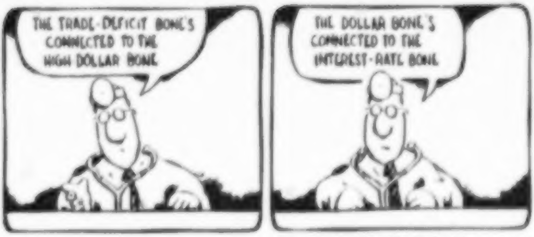
1970s. Is freer trade still in U.S. interest? Question raised in 1970s when U.S. seemed to lose comparative advantage in traditional large employment industries: automobiles, steel, textiles. Ability to compete hurt by inflation, high energy costs, old equipment, high wages. In 1971 U.S. had first trade deficit since 1888. To reduce deficit and speculation against overvalued dollar, U.S. suspended convertibility of dollar into gold and imposed 10% surcharge on U.S. imports. U.S. response since then (continued by Reagan Administration) has been "progress begins at home." When U.S. gets its economic house in order, argument goes, American firms will be better able to compete.

1980s. Since 1981, strength of ***dollar*** in relation to other currencies has further eroded competitive position. Many economists believe high budget deficits lead to high real interest rates, which make the dollar profitable to hold for both U.S. and foreign investors, pushing up its value. An expensive dollar makes U.S. exports expensive and hard to sell; imports cheap and more attractive to consumers. Recession in Western Europe and Latin America compounded problem by weakening major U.S. export markets. Exports in 1983 down 5% from 1982; imports up 5%. Record ***$69.4 billion*** trade deficit for 1983. These economists believe budget deficit must be lowered; then dollar will fall, trade deficit shrink and exports expand.

Free trade is not possible or desirable, some argue: (1) Comparative advantage is no longer relevant because countries can create their own comparative advantage by subsidizing certain industries. (2) Although world tariffs are down to 5%, ***nontariff barriers*** (NTBs) remain. NTBs such as export subsidies or excessive red tape (e.g., customs procedures, health and safety requirements) can restrict trade as effectively as tariffs. (3) When free trade means substantial unemployment, its costs become unacceptable. More than 30 bills introduced into 97th Congress urging some form of protection.

Japan has come to symbolize threat to American competitiveness; accounts for one third U.S. trade deficit. Japanese autos, made for $1,500 to $2,000 less than American cars, grabbed 21% of U.S. market by 1980. Japan's Ministry of International Trade and Industry (MITI) takes active role in planning industries: promoting automobile and computer exports; phasing out less-profitable areas like aluminum production. Advocates of ***"industrial policy,"*** such as Chrysler Corp. chairman Lee Iacocca, argue that a U.S. MITI could help American business.

United Automobile Workers (UAW), among others, argues that best way to help American business and workers is by protecting them. "Domestic content" bill would require companies that sell over 100,000 cars a year in U.S. to use a specific percentage of U.S. parts and labor. (Bill passed twice in House, defeated in Senate.) UAW says bill would restore 700,000 auto-related jobs and would give U.S. bargaining power in trade issues with Japan. Japan's Prime Minister Yasuhiro Nakasone argues that Japan has reduced tariffs faster than any other country and that U.S. and Japan should work on joint ventures, rather than protectionism. Administration argues that domestic content bill would actually cause a loss of 38,000 jobs because Japan would retaliate by not buying U.S. exports. Instead, Administration has negotiated "voluntary" export restraints with Japan since 1981 to give U.S. auto industry time to catch up.


THE TRADE-DEFICIT BONE'S CONNECTED TO THE HIGH DOLLAR BONE
THE DOLLAR BONE'S CONNECTED TO THE INTEREST-RATE BONE

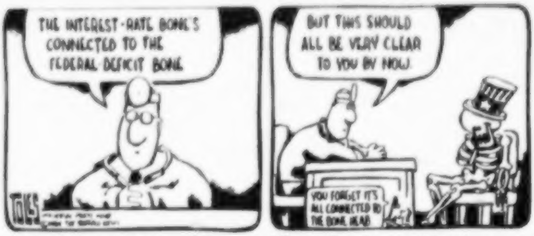
Toles in *The Buffalo News* © 1984

On the plus side. Agriculture ($18.4 billion surplus in 1983): area of U.S. greatest comparative advantage. U.S. is world's largest exporter of farm products. Overseas countries buy 24% of U.S. total agricultural production. Japan is largest single customer, buying $7 billion or 15% of U.S. agricultural exports. European Community (EC or Common Market) bought $9 billion in 1982.

The 1980 cut in grain exports to Soviet Union after its invasion of Afghanistan dealt American farmers a blow; Canada and Argentina made up difference in Soviet supply. Since 1981 agricultural exports have declined as result of recession, strong dollar and increased competition from EC. In 1983, U.S. complained to GATT that although European farmers were generally less efficient than U.S. farmers, they were able to compete in export markets because of subsidies ($9 billion in 1983). U.S. estimates it has lost $6 billion per year because of EC subsidies.

U.S. retaliated against EC in 1983 by selling 1 million tons of wheat flour to Egypt, major EC market, at $25 per ton below world market price. Huge sale represented one sixth of total annual tonnage of wheat flour traded in world. But in general, Administration argues that agriculture is where U.S. benefits most from free trade. Future measures against Europe could start trade war, in which American farmers have most to lose.

Services ($28.4 billion surplus in 1983): Services include construction, insurance, banking, repatriated earnings from overseas investments. U.S. is world's largest exporter of services: $134 billion in 1983. (Recession and restrictive trade practices caused service exports to drop 0.2% from 1982.) U.S. Trade Repre-


THE INTEREST-RATE BONE'S CONNECTED TO THE FEDERAL DEFICIT BONE
BUT THIS SHOULD ALL BE VERY CLEAR TO YOU BY NOW
YOU FORGET IT'S ALL CONNECTED TO THE BONE HEAD
TOLES

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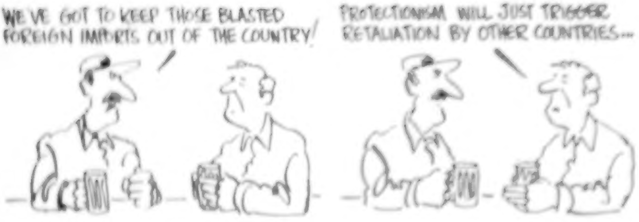
sentative William E. Brock described service trade as "frontier for expansion of U.S exports." Of 20 million jobs created in U.S. in last decade, 90% in service area. Services are not covered by GATT, but Administration is pressing for new rules that would liberalize area.

Research-intensive manufacturing: High-technology products have fared well in trade. One group of Democrats favors an industrial policy whereby government, in cooperation with business and labor, would encourage "sunrise industries" and retrain workers from "sunset industries," such as steel. Critics question how U.S. government would pick winners; fear "lemon socialism." Administration believes that best way to keep competitive edge is to reduce government spending, keep inflation low.

CURRENT ADMINISTRATION POLICY

President Ronald Reagan is free-trade advocate. "We can enhance the forces for democracy, freedom, peace and human fulfillment around the world, if we stand up for principles of trade expansion through freer markets" (Mar. 4, 1983). At May 1983 Williamsburg summit, U.S. and six other summit participants (Japan, West Germany, France, Britain, Italy, Canada) pledged themselves to halt protectionism and roll back trade barriers. But a few months after summit, Administration put quota on specialty steel, major West European export. Administration argues that "retaliatory" protection (in response to specific provocation, such as sales of government subsidized steel) is permissible in the short run "if it serves the strategic purpose of increasing costs of subsidies by foreign governments" (Council of Economic Advisors); Administration also tight-


WE'VE GOT TO KEEP THOSE BLASTED FOREIGN IMPORTS OUT OF THE COUNTRY!
PROTECTIONISM WILL JUST TRIGGER RETALIATION BY OTHER COUNTRIES...

Wasserman © 1983, Los Angeles Times Syndicate

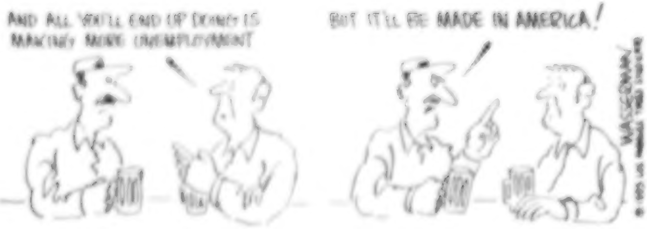
ened textile quotas, encouraged Japanese to extend "voluntary" quota on auto sales to U.S. and raised tariff on motorcycles.

A 'Reagan Round'? I.M. Destler, senior fellow at Institute for International Economics, suggests Administration has hurt itself by not proposing multilateral trade initiative like the Kennedy Round of the 1960s or Tokyo Round of 1970s. Destler argues that multilateral negotiations would mobilize those who benefit from free trade: export-oriented companies. Once mobilized, those companies could actively oppose protectionist concessions to import-sensitive industries.

Bilateralism. Administration seems to prefer bilateral negotiations, such as ongoing talks with Canada on reducing tariff barriers. Advantage of bilateralism is that U.S. can reward good trading partners with concessions, and talks can focus on narrow and more easily achievable goals. Disadvantage is it can lead to haphazard international trading system that could divide world into competing economic blocs.

To promote exports, Reagan has proposed creating a department of trade. (Currently trade functions are divided among Commerce, State, Defense, Agriculture and Office of the Trade Representative.) Some, such as Stuart E. Eizenstat, President Jimmy Carter's domestic policy adviser, say new department will only add to bureaucracy and "diverts Administration resources from more important job of fashioning a coherent trade policy."

In Jan. 1984, Democratic study group, chaired by financier Felix G. Rohatyn, released report calling for government action to bolster U.S. competitiveness. Fa-


AND ALL YOU'LL END UP DOING IS MAKING MORE UNEMPLOYMENT
BUT IT'LL BE MADE IN AMERICA!
WASSERMAN

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vors creation of industrial development board that would investigate the problems of "a few industries central to the nation's vital interests." Also, would fund an industrial finance administration that would be empowered to extend loans to targeted industries. Some type of Federal trade policy supported by most Democrats (e.g., worker retraining programs, increased Federal financing of research and development, improved educational system).

POLICY CHOICES

☐ **Protect industries aggressively.**

Yes. (l) If U.S. sits passively while other countries subsidize their industries, there is no way to maintain a competitive edge. (2) Automobile industry showed protectionism can work; it needed breathing space and now it is profitable. (3) Workers should not have to accept same low wages as foreign competitors. (4) Imports are eroding industrial base; could leave us vulnerable in event of war.

No. (1) If we put up barriers, other countries will too. As largest trader, we have most to lose from restrictions. (2) Protectionism shielded automobile industry at expense of consumer. (3) Protectionism costs more jobs than it creates. Countries retaliate by not buying other American products, and workers in those industries suffer. (4) The best industrial policy is to let market decide which industries should expand and which should contract.

☐ **Develop an industrial policy.**

Yes. (1) U.S. will compete better if it encourages growth industries. (2) Japan's economy grew 8.8% a year from 1953 to 1971, compared to 4% for U.S. We should try to learn from their success. (3) There is no coordinated U.S. trade policy. Different departments advocate different interests (State vs. Agriculture over grain embargo, Commerce vs. Defense over high-technology exports) but no one is looking at "big picture."

No. (1) Growth industries always will be able to attract investors in capital markets. (2) Our way of life is different from Japan's. Complexity and diversity of our political system make it impossible to select industries to encourage on a national basis. (3) Government, because of diverse interests, not able to act decisively, not omniscient; cannot be in position of picking winners and losers.

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6

Oil and Energy

- ✓ *Should securing energy supplies be a top foreign policy priority?*
- ✓ *Should the government control energy policy?*
- ✓ *Can we reduce oil imports?*
- ✓ *What strategies can best meet our energy future?*

FACTS

- Oil provides 43% of U.S. energy needs; natural gas, 26%; coal, 22%; hydroelectric, 5%; nuclear electric, 4%.
- U.S. petroleum products consumed in 1983 averaged 15 million barrels a day (MBD), down from 17 MBD in 1980. (A barrel is 42 gallons.)
- U.S. crude oil production in 1983, 8.7 MBD; up from 8.6 MBD in 1980.
- Net imports in 1983 (5.1 MBD) were 34% of U.S. oil consumption. In 1980, net imports (6.4 MBD) were 43%. Organization of Petroleum Exporting Countries (OPEC) supplies 36% of all imports, down sharply from 62% in 1980.
- U.S. consumes 29% of world's oil. Although still single largest user, U.S. share has dropped from 31% in 1973.

Leading Sources of U.S. Oil Imports

1983		1978	
	MBD		MBD
Mexico	.9	Saudi Arabia	1.1
Canada	.5	Nigeria	.9
Venezuela	.4	Libya	.7
Britain	.4	Algeria	.6
Indonesia	.3	Venezuela	.6

BACKGROUND

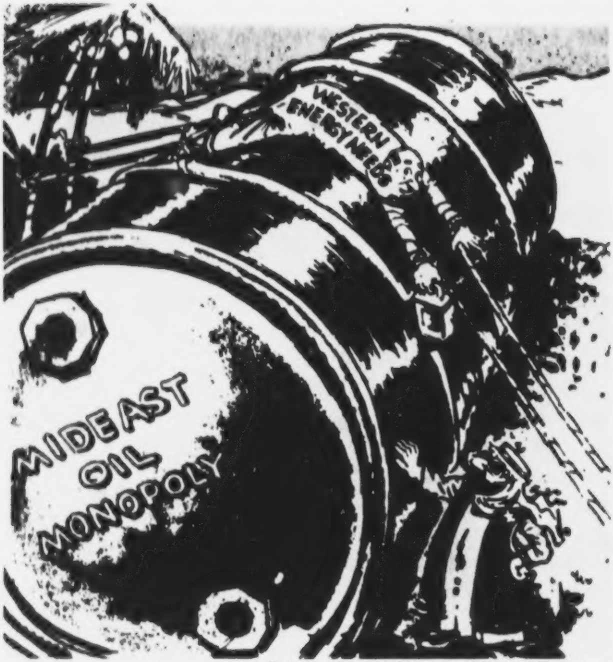
U.S. was self-sufficient in oil until 1948, when it became a net oil importer. Although domestic supply could not keep pace with demand, U.S. production grew rapidly and peaked in 1970 at 9.6 MBD. Last U.S. "elephant" (giant discovery) was in Prudhoe Bay, Alaska, in 1968.

Rise of OPEC. OPEC, formed in 1959, has 13 members: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. Venezuela is major OPEC supplier to U.S., providing 8.5% of all imports. U.S. non-OPEC suppliers are Mexico (17.2% of all imports), Canada (11.0%) and Britain (7.6%).

Americans jolted into recognizing OPEC's power in 1973 after Arab oil embargo against U.S. and Netherlands in Arab-Israeli war. Crude oil prices quadrupled to $11.65 a barrel by 1974. Second shock came in 1978 when revolution caused shutoff of Iran's exports. Oil price peaked in 1981 at $34 a barrel. Price hikes contributed to "stagflation" of 1970s: mixture of economic stagnation with high inflation. OPEC supporters argued that high oil price reflected the true value of petroleum. They contended that international oil companies that had controlled Mideast production in 1950s and 1960s had kept prices artificially low to stimulate demand.

Fall of OPEC? Recession, conservation and high prices caused U.S. demand for oil to drop sharply. Consumption fell 21% from 1978 high of 18.8 MBD to 15.0 MBD in 1983. Domestic production stayed steady at about 8.6 MBD, so reduction came at expense of imports. In Mar. 1982, OPEC members agreed to restrict output to 18 MBD to try to hold price at $34. (Only two years earlier production had peaked at 31 MBD.) At divisive meeting in London on Mar. 31, 1983, cartel agreed to cut prices for first time in its history—to $29.

Drop in prices hurt OPEC members already suffering from "mixed blessing" of oil wealth: high inflation, overambitious development projects, and disruption of traditional way of life. Quoting Jahangir Amuzegar,



Poinier, *Detroit News* and United Features

1973: "Over a barrel."

former executive director of International Monetary Fund: "The question being asked now is not merely what the oil affluence has done for the petroleum exporters, but also what it has done to them." OPEC revenues for 1983 were $160 billion, down from $264 billion in 1980. Nigeria and Venezuela particularly hard hit because of falling revenues, heavy debts.

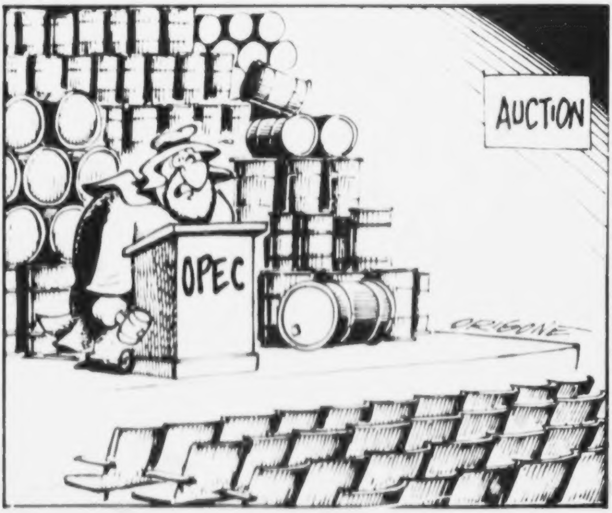
Price cut good news for U.S., other oil importers. One study found that every $1-a-barrel reduction in oil price would save industrialized nations $6.5 billion a year. Developing countries benefited even more because their consumption of fuel is growing more rapidly. Among beneficiaries were South Korea, Taiwan, and India.

Oversupply or "glut" of oil encouraged some to argue that U.S. could never again be held hostage by OPEC. They pointed out that only 3.6% of oil consumed in U.S. in 1983 came from Arab countries, down from 17% in 1979. Reserves have been discovered outside of OPEC: Egypt, Malaysia, China. Mexico, which imported oil in 1973, is today our largest supplier. Energy specialist S. Fred Singer of University of Virginia wrote that OPEC never had an effective embargo. He blames government intervention for lines at gas stations and argues that because President Ronald Reagan lifted controls on oil prices, we will probably never see a gas line again.

Petroleum is a finite resource, others cautioned, and they warned against drawing long-term conclusions from short-term market conditions. According to Stuart Eizenstat, President Jimmy Carter's domestic policy adviser, "We live in the twilight of the crude oil era." Others caution that conservation is reversible: when economy revives, oil demand will increase. Others say that even if U.S. could become self-sufficient, allies are so dependent on imports that U.S. would still be vulnerable.

Oil and security. After first embargo, 21 oil importers formed International Energy Agency (IEA), "economic equivalent of NATO." IEA established a system for sharing oil during emergencies and encouraged members to stockpile 90 days' worth of imported oil. U.S. stockpile in 1983 exceeded IEA requirement (contains 93 days' worth). Administration plans to double current reserves by end of decade. Doubts about IEA's emergency system were raised after an exercise in spring 1983 in which members simulated shutoff of 8 MBD of oil; hypothetical price of oil shot up to $98 a barrel. U.S. Department of Energy (DOE) advocates hands-off policy in times of emergency; did not try to control supplies or prices. Europeans, who favor government intervention, concerned about effect such a price would have on world economy. DOE argues that government "meddling" would have made it worse.

Outlook for future sources of energy. ***Domestic oil*:** Exploration increased after decontrol but reserves have not grown significantly. A Rand Corp. study in 1981 said prospects of finding large oil deposits in U.S. are limited. Reagan argues that wilderness areas and outercontinental shelf contain untapped resources. However, Administration projects that oil production in



Origone, Italy, ROTHCO

1983: "Thirty-three . . . thirty . . . twenty-seven . . "

1980s will not reach high levels of early 1970s; beyond 1990, oil will prove "increasingly difficult to find and develop."

Imported oil: U.S. imports about same percentage of oil today as in 1973 (36%). OPEC now "oil of last resort," but unless huge new reserves found elsewhere, U.S. may have to turn to Middle East again.

Nuclear energy: DOE projects that nuclear power will provide 20% of electricity by 2000. Nuclear share today is 12.6%. But no new nuclear plants have been ordered since 1978, and business is hesitant to invest because of enormous capital costs, safety problems, public opposition, and licensing delays.

Renewable fuels (solar energy, hydroelectric power): Renewable resources provided 6% of country's energy in 1983, and Administration expects share to grow to 10% by 2000. (Developing countries more likely to use renewable energy because their economies are not yet structured around oil.)

Synthetic fuels: When $15 billion program started in 1980, supporters expected 2 MBD of synfuel by 1992. Today, program on hold because of lack of Administration enthusiasm and low oil prices, which make high-cost synfuel noncompetitive.

CURRENT ADMINISTRATION POLICY

President Reagan completed decontrol of oil prices in first month in office; argued high prices would force conservation, encourage domestic production. By late 1982, oil consumption dropped by 10%. Production in continental U.S. increased for the first time since 1970 and a record 4,520 drilling rigs were in operation in Dec. 1981.

Decontrol had broad support; in 1979, Carter began phasing it in. But critics argued that between one third and two thirds of conservation was caused by recession and oil demand would bounce back with recovery. Others argued decontrol could not answer long-term question of what U.S. would do when its reserves ran out.

During future energy crises, Reagan says, the market will handle allocation problems. Therefore, there is no need for DOE, and he has proposed dismantling it, distributing its functions to Commerce and Interior. As safety cushion, Administration favors large stockpile. President feels so strong about role of market that he vetoed bill approved by Congress that would have given him allocation powers during emergency. Administration wants "more favorable climate" for nuclear power; has argued that private business will take up synfuels and solar energy.

POLICY CHOICES

☐ **U.S. energy goals of conservation, increased production, independence best reached through Federal program.**

Yes. (1) Energy is vital to security, and adequate supply can't be left to market forces. (2) Without Federal initiative, business unlikely to invest in risky and expensive alternatives to oil. (3) Free market would not be able to assure fair treatment of all citizens in an emergency.

No. (1) Controls were responsible for gas station lines. Market would have worked more efficiently. (2) High prices from decontrol will encourage business to look for new sources of energy. (3) In an emergency, the nation can tap the strategic stockpile.

☐ **U.S. should add on tax to OPEC imports.**

Yes. (1) Higher price would discourage use of imported oil, force people to conserve. (2) Tax would "smash" OPEC once and for all. (3) Consumers will become complacent if price stays low.

No. (1) Higher price would hurt consumers without saving that much oil (100,000 barrels a day, according to one estimate). (2) Even if tax smashed cartel, OPEC countries would still be sitting on vast reserves. (3) Not politically possible to add a tax when price of oil isn't high; contributes to inflation; hurts U.S. competitiveness.

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7

The International Debt Crisis

- *What steps can help ease the debt crisis?*
- *Can existing institutions handle world financial problems, or are new institutions needed?*
- *Are regulations governing banks' foreign lending adequate?*
- *What role should the U.S. government play in resolving the debt crisis?*

FACTS

High cost of borrowing, world recession, flawed economic policies, and falling commodity prices in 1981-83 caught several countries in cash squeeze. Poland, with a $27 billion debt in 1981, was first large borrower with repayment problems. World's biggest debtors in 1982 were Mexico ($90 billion), Brazil ($90 billion), Argentina ($44 billion), Venezuela ($34 billion). In 1983, developing countries and Eastern Europe owed over $700 billion to the West, 19% or $135 billion to U.S. commercial banks. Over 40 countries had problems paying debts. By early 1984, Mexico and Brazil improving; two more nations, Nigeria and the Philippines, were in trouble.

Prime lending rate (rate commercial banks charge best customers) rose three times in spring 1984—from 11% to 12½%—sparking fears that higher interest rates would imperil what progress had been made in resolving debt crisis. Raúl Alfonsín, president of Argentina, said rate hikes would jeopardize Argentina's social peace and add $600 million to the interest his country must already pay in 1984. After third increase, Paul A. Volcker, chairman of the Federal Reserve, suggested that banks consider limiting the rate they charge third-world countries on loans.

BACKGROUND

In early 1970s, **commercial banks** accounted for one third of financial flows to less-developed countries (LDCs); other two thirds came from direct investments, foreign aid grants and loans. In wake of oil crisis and price revolution of 1973-74, commercial banks' role in LDCs expanded significantly. Arab oil producers spent only a fraction of vast revenues; for financial security and other reasons, they deposited most oil earnings in Western banks. Banks, as financial intermediaries, recycled oil earnings as loans to developing countries. In late 1970s, commercial banks accounted for 60% of all loans to third world.

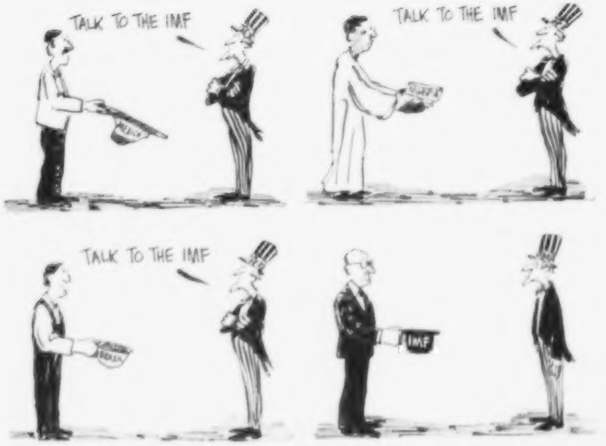
Loans made sense at the time for U.S. commercial banks. The reasons: low rate of default on foreign lending; also economic growth in third world—banks went where there were customers. Several countries were excellent loan prospects: oil producers Mexico, Venezuela, Nigeria, Indonesia, Algeria; raw material and foodstuff exporters Argentina, Chile, Morocco, Zaire, Zambia; newly industrializing countries South Korea, Taiwan, Singapore and Brazil. Some Eastern European countries also attractive because of their increasingly pragmatic economic policies, détente climate, and growing East-West trade.

For borrowers loans made sense, too. Real interest rates—nominal interest rate minus inflation rate—on mid-1970s loans was negative; inflation eroding real cost of borrowings. Loans for investment paid off for LDCs: their average annual real growth was 4.6% in 1970s, versus 2.5% in industrial countries. Some economic mismanagement—Peru, Zaire, Jamaica. But most loans were used for productive purposes; borrowers kept up payments.

Second round of oil price increases in 1979-80 was followed by tight credit policies in industrial countries to fight inflation. Severe 1981-82 recession caused world trade to stagnate; real commodity prices (most important earnings source for most LDCs) fell to lowest levels since Great Depression; interest rates climbed steeply. Loans carried variable interest rates, usually about 1% above fluctuating LIBOR (London Interbank Offered Rate, what one bank charges another to use its funds, usually a little less than prime rate). LIBOR rose from 6% in 1976 to 15% in early 1982. Rise affected cost of future borrowing as well as cost of existing loans. Each percentage point rise in interest rates adds $700 million-$800 million to debt of large borrowers like Mexico or Brazil. A "scissors effect"—falling export earnings and rising debt service costs—caused debt management crisis in several LDCs.

Mexico. A major financial crisis, erupting in final months of President José López Portillo's administration, led Mexico to seek a temporary moratorium from creditors in Aug. 1982. Because of Mexico's importance to U.S., Washington took lead in financial rescue that included Mexican oil prepayments, agricultural credits, and short-term bridge loan. Meanwhile, Mexico's creditors restructured its debt; made new loans after Mexico and International Monetary Fund (IMF—an international lending agency affiliated with United Nations) agreed on adjustment program. Since mid-1983, Mexico has been current in interest payments to banks. Cost of economic stabilization was severe: rate of economic output declined by 4.7% in 1983, compared to average 8% growth rate in the 1970s. But by mid-1984, economic indicators pointed to modest growth in 1985.

Brazil. Brazil also in severe financial trouble by late 1982, third consecutive year of recession; U.S. emergency loan in Nov. 1982 was followed by agreement between IMF and Brazil. By early 1984, Brazil was taking steps to meet IMF targets that included wage increases not to exceed 80% of inflation rate for higher-paid workers, budget deficit reductions, currency devaluations and inflation-cutting measures. Brazil's economic performance has been impressive: it projects $12.5 billion trade surplus for 1984 and expects to meet interest payments due on its $90 billion foreign debt in spite of rise in prime rate. Inflation remains a major problem: by Apr. 1984 it was at 180%, down



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from 211% in 1983. Future progress is linked to interest rates. Said Afonso Celso Pastore, president of the Central Bank of Brazil, "... if rates keep on rising or remain high for long enough, that places a very important question mark on ... how far we can go with our economic adjustment program."

Argentina. Raúl Alfonsín, elected president of resource-rich country in Oct. 1983, inherited severe economic problems, including soaring inflation rate and huge government deficit, from previous military government. Those problems, plus concern that IMF program could jeopardize social stability, slowed Argentina's progress on debt issue. By late Mar., Argentina had fallen almost 90 days behind in interest payments to banks, which faced prospect of deducting missed payments from first quarter earnings. In eleventh hour effort, Mexico and U.S. Treasury took lead in arranging $500 million loan. Commercial banks, Brazil, Colombia, and Venezuela also participated.

The IMF. IMF formed after Bretton Woods Conference in 1944. Organization works like an international credit union, borrowing from some members to provide short-term help to others while they straighten out finances. IMF has 146 members, but the large industrial countries (U.S., Japan, France, Britain and West Germany) and Saudi Arabia hold permanent seats on the executive board of directors and have the greatest say over IMF policies.

IMF loans are conditional on borrower's agreement to adopt adjustment programs that balance income and expenditure and control inflation. Program typically includes spending cuts to reduce inflationary deficits, elimination of price subsidies, currency devaluation, higher taxes. Commercial banks are usually not willing to negotiate new loans or restructuring agreements until a country has negotiated an adjustment program with the IMF, which has led some to describe IMF's main role as a "stamp of approval," providing tangible proof that a country is serious about mending its ailing economy and paying its debt. (In stretched-out or rescheduled loans, bankers allow LDCs to postpone principal payments for a fixed period.)

IMF measures cause undeniable economic pain. IMF supporters argue stringent reforms are necessary for sound economic growth; point to success of Mexico and Brazil. Critics charge that poor bear brunt of economic adjustment, with loss of subsidies that can mean steep increases in foodstuff prices for urban poor. (Fifty-five people died in riots in the Dominican Republic in Apr. 1984 after the government, following IMF guidelines, cut food subsidies.) Debtor nations also complain that forces beyond their control, such as U.S. economic policies that drive up interest rates, increase their repayment problems. Some argue that the IMF should police economic activities of the industrialized countries as well as the debtor nations.

Rescheduling: A Debtor's View. Debtors agree to rescheduling because repudiation or formal default would end all external credit, prompt seizure of assets abroad—bank accounts, ships and goods in transit. Developing countries need imports to grow and exports to earn foreign exchange; would suffer severe hardship if cut off from world economy.

Banks charge rescheduling fees to cover administrative costs; increase spreads (difference between prime rate and amount above it that countries are charged) on rescheduled debt to compensate for higher risks and keep creditors in the market. Once progress in adjustment made and risk to lenders reduced, easier terms may be negotiated. In case of Mexico, for instance, which has made substantial progress in meeting foreign obligations, bankers reduced fees and spreads by nearly 50% of 1983 levels.

Debt burden is heavy: Argentina is spending 70% of its export earnings on interest payments; average for all Latin American countries was over 40% in 1983. Proposals for easing debt burden of LDCs include: lowering fees that banks charge for negotiating loans; lowering spreads; lengthening lifetimes (maturities) of loans; and putting "cap" or ceiling on interest rates and adding interest above ceiling to loan principal. Cap proposal is attractive to some debtors and bankers. Others insist scheme would weaken incentive to adjust, increase future debt burden and disrupt credit markets, which depend on keeping interest current. Also, because such loans would be less profitable, banks might not lend to "cap-protected" countries.

CURRENT ADMINISTRATION POLICY

Reagan Administration initially took laissez-faire stance on international financial matters; preferred to rely on market forces to solve problems. Mexico's 1982 crisis, obvious need to reschedule debt of other key countries, and depletion of IMF resources in loans to beleaguered members convinced Administration to change point of view. U.S. Treasury and Federal Reserve Board worked closely with other central banks to provide temporary help while debtor countries made arrangements with IMF and commercial banks. Administration also supported plan in Feb. 1983 to increase IMF lending resources by 47%. Total increase in U.S. commitment to IMF by $8.4 billion passed Congress in Nov. 1983 after tough legislative fight; increase enabled IMF to continue its conditional lending to debtor countries while they reorganized finances.

POLICY CHOICES

☐ **Tough IMF austerity programs are the key to solving debtors' ills.**

Yes. (1) Sound economic reforms are the most important element in restoring debtors' financial health; future access to new loans essential for economic growth. (2) Austerity measures are only way for debtors to solve balance-of-payments problems. (3) IMF program sets measurable economic targets for debtors that can speed a country's return to creditworthiness and shorten painful economic adjustment period.

No. (1) Economic growth in industrial world, falling interest rates through cuts in U.S. Federal budget deficits—not austerity—are key to improving debtors' financial health. (2) Too much austerity in debtor countries can lead to social unrest, upheavals in governments friendly to U.S. (3) IMF austerity measures only address temporary problems in debtor countries; provide no long-term solutions.

☐ **The U.S. should help create new financial institutions to ease debtors' problems.**

Yes. (1) Economic development difficult with short-term bank loans at current high market interest rates that supplement limited aid from governments and World Bank; U.S. economy in 19th century needed long-term bonds to finance growth. (2) New international institutions could buy bad loans from banks at discount, reduce interest rates for LDCs, stretch out loan payments to 20-25 years. (3) IMF mandate not broad enough to handle debtors' problems.

No. (1) Cooperative effort by IMF and multilateral agencies, central banks and commercial banks have made substantial progress resolving debt problems. (2) Self-financing international institution not workable idea; U.S. taxpayers against new appropriations. (3) Governments are not equipped to make credit decisions.

☐ **U.S should exercise stricter regulation over banks' foreign lending.**

Yes. (1) Government has helped banks in trouble and should have some say over loans. (2) U.S. banking strictly regulated since 1930s; panics, crashes have been prevented and security, stability assured. Government should also regulate international banking.

No. (1) Legislation raising U.S. quota in IMF (Nov. 1983) already tightens rules; regulators are monitoring banks' international loans more closely than ever; banks have also developed better ways of self-monitoring. (2) Costly new regulatory measures would put U.S banks at a competitive disadvantage vis-à-vis foreign banks.

☐ **U.S. government must play key role in resolving debt crisis.**

Yes. (1) U.S. must cut Federal deficit, which will result in lower interest rates and ease debt-payment burden in LDCs. (2) New funding for IMF, World Bank, and regional development banks necessary to help LDCs meet economic needs.

No. (1) Government should not intervene in debt crisis but let free-market forces operate. (2) Current contributions to World Bank and other aid institutions are sufficient given domestic priorities.

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8

Immigration and Refugees

✓ ***Should the U.S. close its doors to immigrants?***

✓ ***How can we remain the land of opportunity while preserving the quality of life for our own citizens?***

✓ ***What can be done to reduce the increasing number of undocumented aliens entering the U.S.?***

FACTS

- 600,000 legal immigrants of all categories entered in 1981 (compared with 300,000 in 1971); 1 million more are waiting to enter U.S.
- 3.5 million -6 million undocumented workers (illegal aliens) in country; one half to two thirds from Mexico.
- 1 million-plus aliens caught trying to enter U.S. illegally in fiscal year (FY) 1983; 40% increase over 1982.

Immigrant visa. Entitles holder to live in U.S. as permanent resident. Available to alien who fulfills one of following criteria: is related to a citizen or permanent resident of U.S.; works in a certain occupation or business; is considered a refugee. Following categories may enter without affecting total number of immigrants legally admitted: spouses, children and parents of U.S. citizens; children under 21 and unmarried, with certain limitations; returning lawful permanent residents; specified former citizens of U.S.; occasional other designated groups.

Residency requirements for naturalization. Cubans may apply for citizenship after one year; all others, five years.

Annual quotas. Other aliens (excluding refugees) subject to annual quotas: total ceiling (hemispheric quotas abolished in 1978) of 270,000; maximum of 20,000 from any one country. Grounds for exclusion include physical or mental defects, criminal conduct, advocacy of proscribed political doctrines, poverty, improper documents.

Refugee Act of 1980. Raised annual limit on refugees to 50,000 from 17,400, with annual readjustment by Congress and President; 1984 limit, 72,000. Act also redefined refugee as coming from any part of world, not merely Communist countries or Mideast.

Immigration Ceilings Act. Introduced in Senate Nov. 1983, would set annual ceiling on legal immigration at 475,000 for three years, including relatives of U.S. citizens and refugees. Ceiling would not apply to emergency refugee admissions. U.S. government would be required to measure emigration.

Guest workers. The 1942-64 *bracero* program provided for temporary admission of Mexican workers to work in Imperial Valley, Calif. Led to almost uncontrolled influx (what some call start of "wetback" problem), exploitation of aliens, and damaged U.S.-Mexican relations due to differences over wages and deportation. Employers can apply to secretary of labor for temporary agricultural or nonagricultural workers; secretary must certify that no Americans will be unemployed or underpaid as a result.

Agencies involved in granting admission. Immigration and Naturalization Service (INS), State Department (via U.S. consuls abroad), Employment and Training Administration of Labor Department, Public Health Service.

BACKGROUND

Our heritage. This country is a nation of immigrants. Late 1800s and early 1900s was period of great northern European emigration. Number of immigrants in early 1980s the highest since early part of this century; composition significantly different. Circa 1900, more than 1 million immigrants annually. From 1901-10, immigrants 9.6% of U.S. population (*cf.* 1961-70, 1.6%). In 1910, 14.6% foreign-born (cf. 4.7% in 1970).

Now one language (Spanish) and one country (Mexico) dominate.

Legislation. Not until 1882 was there a Federal Immigration Act, barring "paupers and other undesirables"; Chinese Exclusion Act went into effect same year. (Statue of Liberty dedicated in 1886, and Ellis Island opened in 1892 as main disembarkation point until its closing in 1943.)

Various literacy tests initiated 1917-29. In 1924 the first national origin quotas act passed; reduced total number of immigrants permitted and fixed numbers by countries of origin. Latter favored Northern and Western Europeans and effectively barred most Asians.

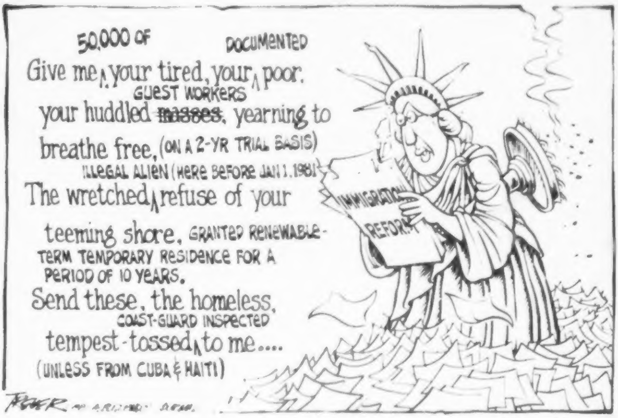
In 1942, in reaction to Pearl Harbor, government evacuated, relocated and interned Japanese-Americans in Western states. Displaced Persons Act of 1948 enacted to help World War II victims, especially Europeans; it and its 1950 and 1956 extensions provided homeland for cold-war refugees (particularly from Central and Eastern Europe).

McCarthyism (political practice of publicizing unsubstantiated accusations of disloyalty, subversion) reflected in 1952 Immigration and Nationality Act (McCarran-Walter Act). Continued national quotas, used "national origins formula" against Eastern Hemisphere out of fear of Communist subversion.

The Immigration Act of 1965 replaced national quotas with regional ones in effort to combat ethnic discrimination of previous legislation, and to provide for acceptance of political refugees and emphasize family unification. Apart from Refugee Act of 1980, no significant legislation since 1965.

CURRENT ADMINISTRATION POLICY

Development of legislation. 1981 Report of Select Commission on Immigration and Refugee Policy (appointed by President Jimmy Carter), congressional hearings, and task force led by Attorney General William French Smith favored new legislation. Immigration reform and control bill, sponsored by Sen. Alan K. Simpson (R-Wyo.) and Rep. Romano L. Mazzoli (D-Ky.), passed in Senate, 80-19, Aug. 17, 1982, but it did


50,000 OF
DOCUMENTED
Give me your tired, your poor,
GUEST WORKERS
your huddled ~~masses~~, yearning to
breathe free, (ON A 2-YR TRIAL BASIS)
ILLEGAL ALIEN (HERE BEFORE JAN 1, 1981
The wretched refuse of your
teeming shore, GRANTED RENEWABLE-TERM TEMPORARY RESIDENCE FOR A PERIOD OF 10 YEARS.
Send these, the homeless,
COAST-GUARD INSPECTED
tempest-tossed to me....
(UNLESS FROM CUBA & HAITI)
IMMIGRATION REFORM

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not survive 300 amendments attached by House. Senate again passed bill, 76-18, May 18, 1983, but House Speaker Thomas P. O'Neill Jr., out of deference to Hispanic opposition and concern President Ronald Reagan would veto it in election-year appeal to Hispanic voters, kept it in judiciary committee. Speaker reversed decision in Dec. 1983 and announced bill would come to vote.

Major provisions of Simpson-Mazzoli bill:

- ***Cap total annual alien admission*** to U.S. at 425,000 (House version retains current 270,000 level). Quota of 20,000 migrants from each country, with exception of Mexico and Canada, whose quotas both set at 40,000 (Canada's unused quota available to Mexico).
- ***Punish employers*** of illegal aliens. Employer could be fined up to $2,000 or receive six-month jail sentence. Tamper-proof documents would determine employee eligibility (national identity card was considered but rejected due to $2 billion cost, concern for civil liberties). Supporters of employer sanctions include organized labor and National Association for the Advancement of Colored People because sanctions protect American workers. Opponents include U.S. Chamber of Commerce, American Bar Association, Hispanic groups. Small businesses fear it would hurt them without significantly deterring larger firms.
- ***Amnesty.*** Grant permanent resident status to those

living in U.S. before Jan. 1, 1977; temporary legal status to those here before Jan 1, 1980, who can then become permanent residents after three years. House version grants amnesty to all illegal aliens who have resided in U.S. continuously since before Jan. 1, 1982. Would affect 3 million to 6 million illegal immigrants now in U.S.

Opponents claim amnesty rewards lawbreakers; that legal status would make benefits, e.g. Medicare, available to illegal aliens. Budget director David Stockman estimates House-Senate conference bill would cost $11.7 billion for 1984-89.

POLICY CHOICES

☐ **U.S. should maintain status quo—present standards, procedures, quotas and INS measures.**
Yes. (1) There is strong disagreement about how to revise law; consensus should be reached before changing it. (2) It is favored by U.S. neighbors (e.g., Mexico) and Hispanic groups.
No. (1) Americans want a change of policy (1981 Roper Poll: 90% of Americans favor "all-out effort" against illegal immigration; 80% also want reduction in legal immigration). (2) U.S. cannot yield to one group which makes mockery of U.S. laws; "refugee weary" cities such as Miami need help.

☐ **U.S. should collaborate with source countries in slowing tide of emigration by fostering improved conditions abroad through economic assistance, technology, rural development.**
Yes. (1) Economic health of source countries is necessary to halt influx of immigrants. (2) Essential to deal with both economic "push" and "pull" factors for success. (3) Without rapport between countries, problem will only get worse.
No. (1) Immediate relief, not long-term remedial action, is necessary. (2) Slowing emigration could seriously hurt source country's economy (remittances sent home by workers are important source of foreign exchange for Mexico). (3) Solution disregards noneconomic "pull" factors.

☐ **U.S. should conduct temporary guest-worker program, channeling workers to states and industries where they are needed.**

Yes. (1) This meets need of getting workers when and where they are wanted. (2) Guest workers would fill low-paying, manual jobs Americans won't take, according to agricultural producers, restaurant and hotel owners.

No. (1) This ignores lessons of Western Europe: their temporary guest workers refuse to return home. (2) Alien workers take jobs from Americans, depress wages and working conditions, according to organized labor, other workers' groups, various religious groups and majority of Select Commission.

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9

Soviet Union

✓ *Is the Administration's "peace through strength" policy working?*

✓ *Is détente with the Russians possible? Is it desirable?*

✓ *Can the U.S. influence Soviet policy with economic sanctions?*

BACKGROUND

U.S. did not establish diplomatic relations with the Soviet Union until 1933, 16 years after Bolsheviks seized power in Oct. Revolution. Relations with Communist government strained by U.S. support of anti-Bolshevik forces in 1918–19; Soviet Union's attempts to export revolution to Europe in 1920s; unwillingness to pay czarist debts. World War II temporarily united the Soviet Union and the U.S. against a common enemy, Adolf Hitler. Since then, relations between the superpowers have ranged from confrontation to détente.

Cold war started soon after World War II, when Soviet Union began taking control of its East European neighbors by manipulating elections and stifling dissent; by 1948, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania were Soviet satellites. U.S. responded by forming North Atlantic Treaty Organization (NATO) to protect Western Europe and "contain" communism. U.S.-Soviet confrontation continued with blockade of Berlin (1948-49), Korean War (1950-53), Soviet suppression of Hungarian uprising and Suez Canal crisis (1956), Berlin crisis (1958-61).

Cuban missile crisis of 1962 brought superpowers to the brink of nuclear war; subsequently both sides returned to earlier efforts at peaceful coexistence (*e.g.*, 1955 Eisenhower-Khrushchev summit which produced "spirit of Geneva" and Austrian peace treaty). U.S. and U.S.S.R. established hotline in 1963; signed treaties banning most atomic testing (1963), nuclear weapons in outer space (1967), spread of nuclear weapons and technology to nonnuclear states (1968) (see "The Arms Race and Arms Control").

The narrowing of U.S. lead in strategic nuclear weapons in 1960s and Soviet Union's growing conflict with China opened way for détente of the 1970s. Supporters of détente believed that the two ideologically incompatible superpowers could coexist peacefully if they pursued agreements in areas of mutual interest, e.g., avoidance of nuclear war, trade.

Moscow summit conference 1972 marked zenith of détente. General Secretary Leonid I. Brezhnev and President Richard M. Nixon signed SALT I (strategic arms limitation talks) treaties limiting deployment of antiballistic missile systems (ABMs) and placing ceiling on nuclear ballistic missile launchers. Leaders also agreed not to seek "unilateral advantage" and to "exercise restraint" in mutual relations. They also initialed trade and scientific cooperation accords.

At summit in Vladivostok in 1974, two powers agreed on principles to govern next SALT accord. At 1975 Helsinki Conference on Security and Cooperation in Europe (CSCE), West accepted postwar boundaries in Europe, including division of Germany; U.S.S.R. agreed to freer exchange of ideas and persons. In June 1979, President Jimmy Carter and Brezhnev signed SALT II treaty in Vienna. SALT II, more comprehensive than SALT I, set aggregate ceiling on all strategic nuclear delivery vehicles, with sublimits on several specific types, especially multiwarhead missiles.

Détente had its failures. Soviets threatened to send troops during 1973 Arab-Israeli war and President Nixon called nuclear alert; Soviet and Cuban troops intervened in Angola's civil war in late 1975. During decade of détente, Soviets continued massive military buildup: they devoted twice as much of their gross national product (GNP) to military expenditures as the U.S., built six times as many intercontinental ballistic missiles and four times as many tanks, according to President Reagan's Jan. 16, 1984, speech. In 1983, Soviets spent 14-16% of GNP on defense, compared with 6% for U.S, according to NATO.

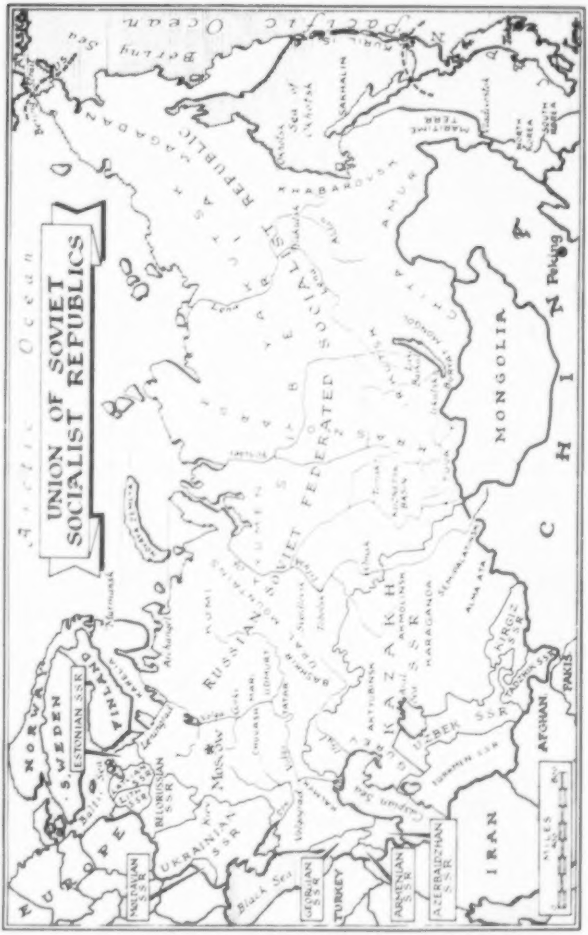
Détente collapsed in 1979. In Dec., the Soviets invaded Afghanistan; first use of Soviet troops outside Eastern Europe since World War II. President Carter imposed trade sanctions, including cut in grain exports; called for postponement of Senate consideration of SALT II and boycott of 1980 Moscow Olympics. By the time Reagan, who considered SALT II "fatally flawed," took office, many Americans were having second thoughts about détente.

In quick succession. Brezhnev, only the fourth leader in Soviet history, died on Nov. 10, 1982 (predecessors were Vladimir I. Lenin (1917-24), Joseph Stalin (1924-53), Nikita S. Khrushchev (1953-64)); Yuri V. Andropov, 68, former head of the KGB, was chosen general secretary, but died, 15 months later, of kidney failure on Feb. 9, 1984; and Konstantin U. Chernenko, 72, Brezhnev's protégé, who had been passed over in favor of Andropov, became general secretary. Chernenko's age, poor health and limited experience make it unlikely that he will be much more than a caretaker leader. Two Politburo members who are possible successors are Grigory V. Romanov, 61, and Mikhail S. Gorbachev, 52.

Does a change in Soviet leadership offer opportunities for the West? Some argue Yes: Chernenko "has the advantage of not being wedded to the policies of his predecessor . . . he may be more open to some changes," according to East European specialist F. Stephen Larabee. Thus he might be able to withdraw troops from Afghanistan without losing face. Others disagree: deterioration in U.S.-Soviet relationship has been caused by Soviets' perception of their interests and opportunities; change of personality will not make a difference.

Chernenko has inherited some serious domestic problems:

1. **Soviet economy.** Many predict sluggish GNP growth; possibly 1-2%. Economy is rigidly centralized, is resistant to reforms, does not provide incentive for innovation. Result is low worker productivity, wasteful use of resources.


UNION OF SOVIET SOCIALIST REPUBLICS
Arctic Ocean
Pacific Ocean
Bering Sea
RUSSIAN SOVIET FEDERATED SOCIALIST REPUBLIC
KAZAKH S.S.R.
UZBEK S.S.R.
TURKMEN S.S.R.
KIRGIZ S.S.R.
TADZHIK S.S.R.
UKRAINIAN S.S.R.
BELORUSSIAN S.S.R.
MOLDAVIAN S.S.R.
GEORGIAN S.S.R.
ARMENIAN S.S.R.
AZERBAIDZHAN S.S.R.
ESTONIAN S.S.R.
Moscow
Leningrad
Murmansk
Archangel
Volgograd
Kiev
Black Sea
Caspian Sea
Baltic Sea
Alma Ata
Karaganda
Lake Baikal
Sea of Okhotsk
Sakhalin
Kuril Is.
KHABAROVSK
MARITIME TERR.
AMUR
MONGOLIA
CHINA
Peking
NORTH KOREA
SOUTH KOREA
IRAN
AFGHAN.
PAKIS.
TURKEY
FINLAND
SWEDEN
NORWAY
EUROPE
MILES

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2. **Oil.** Soviet Union is largest producer of oil in world, but new oil in Siberia is expensive to extract. U.S.S.R. sells Eastern Europe (except Rumania) four barrels in five of their oil imports. If Soviets have to cut back on deliveries or raise prices, could cause economic difficulties in Eastern Europe.

3. **Rising expense of subsidizing Eastern Europe.** Soviets buy Eastern Europe's products as a form of

subsidy to latter's industry. Implicit subsidy averaged $5.8 billion between 1974-78; totaled $21.7 billion in 1980.

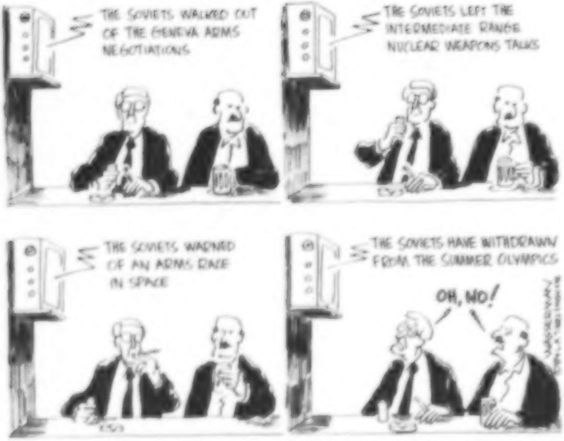
4. **Rise of non-Russian populations.** Ethnic Russian population, which has traditionally run government, increased 6.5% between 1970-79; in same period Muslim population increased 24%. Some argue Soviets concerned about Muslim fundamentalism; majority of Afghan rebels are fundamentalist Muslims; their success could inspire Soviet Muslim population to rebel.

If U.S.S.R. has serious economic problems, they are not critical, experts caution. There is a lot of slack in the Soviet economy, therefore modest increases in productivity and good weather affecting grain harvest could produce a significant rise in GNP. U.S.S.R. continues to increase oil production although Central Intelligence Agency (CIA) predicted several years ago that its oil output would begin to decline in the 1980s; while Russian living standards are not as high as in the West, they have risen significantly since World War II.

CURRENT ADMINISTRATION POLICY

At his first news conference, President Reagan denounced Soviet Union; argued it had used détente to pursue its own aims—"world revolution and a one-world socialist or Communist state . . . the only morality they recognize is what will further their cause, meaning they reserve to themselves the right to commit any crime, to lie, to cheat, in order to attain" that goal. Administration's answer to Soviet challenge has been "peace through strength"; U.S. must be militarily, economically and morally strong enough to deal with Soviet Union. Most visible aspect of Reagan program is military buildup (see "Defense Budget and Major Weapons Systems").

Three years later on Jan. 16, Reagan claimed success: "1984 finds the U.S. in its strongest position in years to establish a constructive and realistic working relationship with the Soviet Union." In his speech, given shortly before opening of Stockholm conference on European disarmament, President toned down earlier


THE SOVIETS WALKED OUT OF THE GENEVA ARMS NEGOTIATIONS
THE SOVIETS LEFT THE INTERMEDIATE RANGE NUCLEAR WEAPONS TALKS
THE SOVIETS WARNED OF AN ARMS RACE IN SPACE
THE SOVIETS HAVE WITHDRAWN FROM THE SUMMER OLYMPICS
OH, NO!
WASSERMAN

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harsh rhetoric; proposed dialogue on reducing nuclear weapons, eliminating threat and use of force. But Reagan remains committed to his original policy of peace through strength.

Four Soviet challenges to U.S. interests, as defined by Secretary of State George P. Shultz, are: U.S.S.R.'s quest for military superiority; its involvement, direct and indirect, in the third world (U.S.S.R. currently supplies significant economic aid and weapons to Cuba and, indirectly, to Nicaragua and Salvadoran rebels in Central America; Syria and Palestine Liberation Organization in Middle East; Angola, Ethiopia and Libya in Africa; and Vietnam and North Korea in Asia); its effort to impose Soviet model on its clients (e.g., Poland); and its violations of treaties and agreements (e.g., Helsinki Final Act calling for freer East-West flow of people, ideas). Challenges require strong responses: restoration of military balance, resistance to encroachments on vital interests, clarification of U.S. interests and intentions.

Critics of the Administration argue that for all détente's flaws, it produced solid achievements, which Administration's policy of confrontation has failed to do. They point out that this is first Administration in seven to have failed to come up with some form of arms control agreement.

End of détente has meant end of U.S. ability to influence Soviet domestic policy, critics say. Arrests of dissidents in Soviet Union have doubled since 1979 and punishments have increased in severity. In 1979, Soviets allowed 51,320 Jews to emigrate; in 1983, only 1,314.

Critics also argue that Administration has overstated Soviet Union's expansionism and need for U.S. military buildup. According to the Center for Defense Information (CDI), "Soviet setbacks in China, Indonesia, Egypt, India and Iraq dwarf marginal Soviet advances in lesser countries." A CDI study showed that the Soviets have significant influence in 19 countries; concluded that "a comprehensive study of trends of Soviet world influence . . . since World War II does not support perceptions of consistent Soviet advances and devastating U.S. setbacks."

Trade policy. Soon after taking office, Reagan Administration ended partial grain embargo, arguing that it was not effective and hurt U.S. farmers. (U.S. share of Soviet grain market fell from 70% before embargo became effective in 1980 to 17% in 1983.) On Aug. 25, 1983, U.S. and Soviet Union signed five-year grain agreement. Moscow would be required to purchase 9 million metric tons annually, a 50% increase over previous requirement. Washington pledged, in return, that it would not again unilaterally halt grain supplies.

Pledge was tested one week later when Soviets shot down an unarmed commercial airliner, Korean Air Lines Flight 007, killing all 269 passengers and crew. Soviets claimed jet was on a spy mission. Administration condemned attack as a "horrifying act of violence," imposed mild sanctions (e.g., suspended negotiations on opening a consulate in Kiev), but did not stop grain sales.

Administration has taken a harder line on high-technology exports. Nonagricultural exports to U.S.S.R. are at lowest level since 1972. After imposition of martial law in Poland in 1981, Administration prohibited U.S. companies from selling oil and gas technology to the Soviet Union. In June 1982, Administration unsuccessfully tried to expand embargo to West European subsidiaries and licensees of U.S. companies. West European opposition to embargo eventually caused Administration to lift sanctions, Nov. 13, 1982; U.S. decided to permit exports of goods that the Russians could buy elsewhere.

POLICY CHOICES

☐ **U.S. should pursue policy of détente with U.S.S.R.**

Yes. (1) Administration's harsh rhetoric has increased animosity between U.S. and Soviet Union; could provoke U.S.-Soviet showdown. (2) U.S.-Soviet balance of power is fragile. If U.S. insists on achieving nuclear superiority, as opposed to parity, it will accelerate no-win arms race. (3) Goading Soviets into ever higher military spending will not wreck their economy; will only impose greater sacrifices on Soviet consumers. (4) Détente could create climate leading to less Soviet interference in third world. (5) Chill in relations has cost U.S. the leverage it had to improve fate of dissidents; enable Jews to emigrate.

No. (1) The Soviets have scored no foreign policy successes during Reagan Administration; evidence that its policy is working. (2) Soviet military buildup is far in excess of that required merely for defense. (3) How can U.S. have normal relations with a totalitarian regime? (4) Détente is incompatible with Soviet interventionist policy in Central America, Africa, Middle East. (5) U.S. has no real leverage over Soviet domestic policy. In the long run, it helps dissidents, political prisoners, minorities more by standing up to the Russians.

☐ **U.S. should not hesitate to apply economic sanctions to influence Soviet policy or achieve its own policy goals.**

Yes. (1) Soviets benefit from trade; would be less likely to engage in aggressive action if they knew it would result in sanctions. (2) Soviet Union is technologically backward; Western technology aids its military buildup. (3) As leader of alliance, U.S. must take firm stand and set example, even if allies disagree.

No. (1) Sanctions do not work; they had little effect on Soviet policies in Poland and Afghanistan. (2) Soviet economy is too strong and self-sufficient to be undermined by sanctions. (3) Sanctions difficult to enforce without unanimity among Western allies; disagreement over pipeline risked fracturing Atlantic alliance.

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10

The Atlantic Alliance

✓ ***Does the alliance still serve U.S. needs and interests?***

✓ ***What should be NATO's policy toward the Soviet Union?***

✓ ***Should the U.S. continue deploying intermediate-range nuclear missiles in Western Europe?***

FACTS

- Current secretary general of North Atlantic Treaty Organization (NATO): Joseph Luns (Netherlands)
- Supreme allied commander Europe: Gen. Bernard W. Rogers (U.S.)
- Sixteen members of NATO—figures in parentheses are defense expenditures as percentage of gross national product, 1982.

U.S.	(7.2)	Portugal	(3.3)
Greece	(6.7)	Norway	(3.0)
Turkey	(5.2)	Italy	(2.6)
Britain	(5.1)	Spain	(2.6)
West Germany	(4.3)	Canada	(2.0)
France	(4.1)	Denmark	(2.0)
Belgium	(3.3)	Luxembourg	(1.2)
Netherlands	(3.3)	Iceland	(n.a.)

BACKGROUND

NATO was formed in 1949 out of shared concern for Soviet threat and need for security against attack. Members agreed that "an armed attack against one or more of them . . . shall be considered an attack against them all." Each would act to assist victim of aggression as it deemed necessary, including use of armed force.

Original signatories of treaty were U.S., Canada, and 10 West European nations; Greece and Turkey joined in 1952, West Germany 1955, Spain 1982. U.S. membership marked nation's first peacetime involvement in "entangling alliance" and commitment to defend other countries.

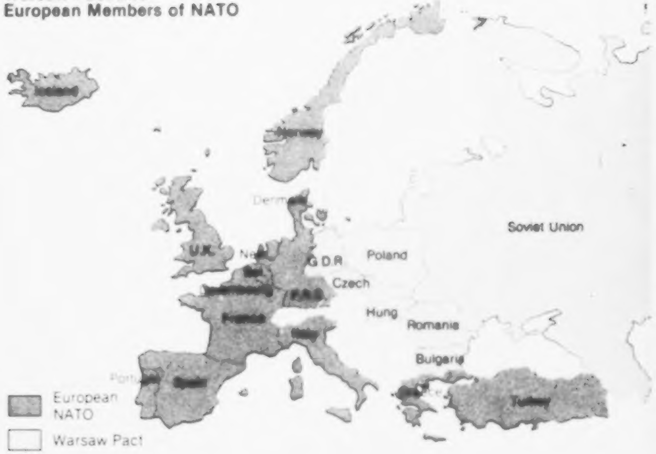
Britain, France and West Germany are this country's most important Atlantic allies, core members of both NATO and the European Community (EC or Common Market). Britain is closest ally, and British Prime Minister Margaret Thatcher's views, with notable exception of her disagreement with U.S. attack on Grenada, generally coincide with Reagan Administration's. France, since it withdrew from NATO's military command (but not the alliance) in 1966, has been most independent member. Under President François Mitterrand, France committed to strong, independent national defense and agrees with Washington on danger posed by Soviet military threat. West Germany, most populous West European country and leading economic power, is pivotal member of alliance. Because of its proximity to Eastern Europe, it would likely be battleground in event of another war.

NATO's goal has been achieved so far—four decades of peace in Europe, Soviet expansion there checked. Fundamental reexamination of NATO by members currently under way. U.S. domination of alliance called into question by some West Europeans; Europeans afraid U.S. approach to Soviets too confrontational. Critics call for reform of NATO's structure to give Western Europe more responsibility for own defense.

PROBLEM AREAS

Economic. Success of Marshall Plan and formation of Common Market in 1957 helped transform Western Europe into major economic force, able to compete with U.S. and develop trade with Eastern Europe. Expansion of the 1970s cooled by early 1980s, when economic growth rates declined for first time in 30 years. By 1984, Western Europe had serious economic problems and 19 million unemployed. Major problem area for Europeans is high U.S. interest rates. U.S. unhappy with some European economic policies, especially

Warsaw Pact and European Members of NATO



Source: U.S. Department of State

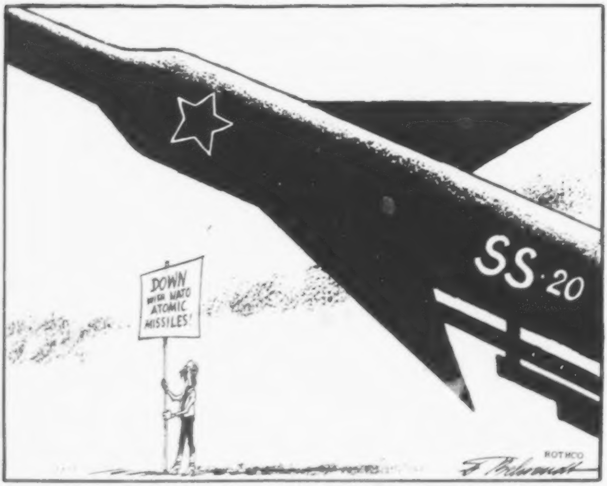
trade protectionism in agricultural products. U.S. fears prolonged economic stagnation in Europe will weaken alliance militarily.

Pipeline dispute. In 1978 West Europeans concluded deal with U.S.S.R. to receive natural gas from Siberian pipeline. Fearing West Europeans would become too dependent on Soviets for energy, President Ronald Reagan in 1982 barred corporations, whether American or not, from providing Soviet Union with equipment made under U.S. license. Western Europe denounced action. Sanctions were subsequently lifted, and allies pledged to undertake broad review of East-West economic policy.

Political. U.S. leadership of NATO has been criticized as a result of differences over U.S. policies in Vietnam and the Middle East, attitude toward Soviets, and détente within Europe. Deterioration of U.S. relations with U.S.S.R. a source of concern to European allies. While U.S. nuclear shield protects Europe, some Europeans are afraid the U.S. may be trigger-happy. Europeans concerned that U.S. may be willing to fight limited nuclear war, for which Europe would be battleground. West European leaders remain committed to alliance, but sentiment of some—expressed in antinuclear protests in West Germany, Britain and elsewhere—more distrustful. West Europeans, especially Germans, place high value on détente because of proximity to U.S.S.R. (and in German case, desire for reunification). France concerned about growth of neutralism in West Germany. U.S. would like to see evidence of greater resolve against Soviet threat; former Secretary of State Henry A. Kissinger has complained about European leaders' "barely disguised neutralism."

Military. NATO's official strategy against Soviets called "flexible response": idea that Soviet aggression be met first with conventional defense, which could be upgraded to whatever level nuclear response is necessary. In Dec. 1979 NATO, at West Germany's initiative, decided to modernize its intermediate-range nuclear forces (INF) by adding 108 Pershing II and 464 cruise missiles, known collectively as Euromissiles. Majority of Euromissiles to be deployed in West Germany; others in Belgium, the Netherlands, Britain, and Italy. This was to counter the emplacement since the mid-1970s of comparable Soviet missiles (including about 400 mobile, accurate SS-20s aimed at Western Europe). NATO's "dual track" decision provided that preparations for deployment, which began in late 1983, be coupled with arms reduction talks with Soviets in hope that full deployment would not be necessary.INF negotiations are currently suspended (see "The Arms Race and Arms Control"). France and Britain have developed independent nuclear forces for their own defense. Although they are not part of NATO forces, U.S.S.R. insists they should be counted as such because they can hit Soviet territory.

U.S. complains NATO allies don't pay fair share of defense costs. U.S. spends higher percentage of GNP on defense than its allies (see list). None of NATO members has been able to keep 1977 pledge to increase real military spending by 3% a year. According to International Institute for Strategic Studies, between 1978 and 1982, NATO military outlays (excluding U.S.) appeared to have remained at same level or decreased. If U.S. included, however, outlays increased 11-12%. During past five years, expenditure of Warsaw Pact countries (Bulgaria, Czechoslovakia, East Germany,


DOWN WITH NATO ATOMIC MISSILES!
SS·20
ROTHCO
F. Behrendt

Behrendt in *Het Parool*, Amsterdam

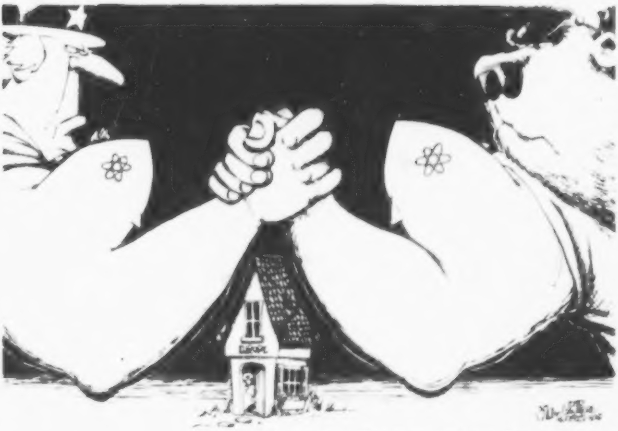
Hungary and Rumania but excluding U.S.S.R. and Poland) appeared to remain at about same level. If U.S.S.R. included, average increase was 4-6%, according to same source.

CURRENT ADMINISTRATION POLICY

U.S. wants strong transatlantic relationship and considers NATO its most important political and security interest. U.S. relieved that, after hesitation, NATO decided to support earlier dual-track decision and began deploying Euromissiles in late 1983. Anti-Americanism associated with nuclear freeze movement appears to have cooled since that time.

U.S. dilemma: how much attention to give to Europe in context of our global foreign policy concerns. U.S. regards Europe as preoccupied with regional concerns. (Since 1978, American trade with Asian Pacific Basin countries has exceeded that with Europe.)

Main problem areas: gap in evaluation of Soviet threat, growing pressure for protectionism, high U.S. interest rates and disagreements over foreign policy issues, especially Central America and the Middle East.



Branch in *The San Antonio Express-News*

POLICY CHOICES

☐ **U.S. should restructure alliance, giving West European members greater leadership role.**

Yes. (1) Present controversies between U.S. and NATO are unprecedented; alliance needs to be restructured now to forestall further damage. (2) Increasing West European responsibility for own defense would strengthen alliance. (3) Let Europeans take the lead in INF and mutual and balanced force reductions, since they are most directly affected.

No. (1) NATO has been successful so far; were U.S. to abandon leadership, alliance might disintegrate. (2) Lessening U.S. involvement in NATO would result in European disunity on goals; would give Soviets opportunity to exploit intra-European differences. (3) West Europeans can't negotiate about American nuclear weapons; if they did, U.S. public might not accept outcome.

☐ **U.S. should place moratorium on deployment of Euromissiles.**

Yes. (1) NATO has already won significant victory by defeating Soviet efforts to abort INF deployment. (2) Deployment moratorium would be favored by European public opinion, which might become more pro-

U.S. (3) Deployment moratorium would induce Soviets to return to strategic arms reduction talks (START) and INF negotiations.

No. (1) Stopping deployment would leave Western Europe's INF defense outnumbered by Soviet SS-20s. Moreover, moratorium would reward Soviet intransigence. (2) Defense of Europe can't be held hostage to public demonstrations; government consensus in leading West European countries (Britain, Germany, France) supports deployment. (3) Since arms control talks are in the Soviet interest, they will return to them, perhaps under guise of combined INF/START forum.

☐ **U.S. should build up conventional forces in Europe.**

Yes. (1) Existing NATO conventional forces are outnumbered by Warsaw Pact and are not sufficient to fulfill mission of flexible response. (2) Conventional buildup would make nuclear exchange less likely, permit de-emphasis of nuclear deterrent, and improve East-West climate. (3) Since Soviets fear conventional buildup, they could accelerate nuclear arms talks and suggest trade-off to prevent this.

No. (1) Since nuclear weapons protect Europe, conventional buildup not necessary. (2) Improvement of conventional capability reduces credibility of nuclear deterrent. (3) Soviets' greatest concern is removal of Euromissiles; they will return to arms control negotiations eventually.

☐ **U.S. should withdraw its troops from Europe.**

Yes. (1) U.S. troops in Europe do not perform a military function. Troop levels are not sufficient for conventional defense against Soviet land attack. (2) West Europeans are capable of augmenting own troop levels to defend themselves; U.S. would continue to assure strategic defense. (3) Deployment in Europe drains U.S. resources: it is expensive, results in anti-American sentiment, and ties up troops needed elsewhere (such as the Middle East).

No. (1) U.S. troops in Europe are a symbol of American commitment; if withdrawn, would be psychological blow to West Europeans and might cause Soviets to doubt this commitment. (2) Reduction of U.S. troops might cause West Europeans to do less, not more; could cause them to doubt U.S. commitment and lead to demise of NATO. (3) Idea behind NATO is joint commitment: U.S. must and can afford to participate in defense of Europe.

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11

Lebanon, the Arabs and Israel

- ✓ *Should the U.S. negotiate with the PLO?*
- ✓ *Is the Reagan plan a workable blueprint for Mideast peace?*
- ✓ *Should the U.S. sell weapons to Jordan and Saudi Arabia?*
- ✓ *Should the U.S. embassy be moved to Jerusalem?*

BACKGROUND

Search for peace has dominated U.S. policy toward Mideast since late 1940s, especially since 1967 war. Without stability, important but conflicting American interests cannot be reconciled. Americans have strong moral and emotional attachment to Israel; its military strength and strategic location are important to the U.S. But Persian Gulf states are also important: they are source of oil for much of the industrialized world and are of strategic interest to U.S. "Were the Soviets to control the region . . . the entire world would be vulnerable to economic blackmail." (President Ronald Reagan)

ISRAEL

Ancient land of Palestine controlled by Ottoman Empire from 16th century to 1920; by Britain from 1923 to 1948 under League of Nations mandate. British promised Arabs independence in exchange for help in fighting Turks in World War I; but Balfour Declaration of 1917 said that "His Majesty's Government view with favor the establishment in Palestine of a national home for the Jewish people, . . . it being clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine . . . . " In 1923, British gave mandate east of Jordan River to Amir Abdullah, grandfather of Jordan's King Hussein; it subsequently became state of Jordan. Disagreement over remainder of Palestine continued throughout British mandate.

Jews began migrating to Palestine as early as 1880; some were Zionists (members of nationalist movement calling on Jews to return to their homeland); others were fleeing persecution. After World War II, there were 600,000 Jews; 1.3 million Arabs. In 1947, UN (with Soviet and U.S. support) voted to partition Palestine, giving Jews about 56% of territory, Arabs, 44%. UN voted to place Jerusalem under international control; Jews accepted but Arabs refused.

Jews proclaimed state of Israel, May 14, 1948. Egypt, Syria, Jordan and Iraq invaded two days later. By the time armistice declared in 1949, Jews controlled 77% of land. Some 600,000 Palestinians who had lived in Israel dispersed in West Bank, Gaza, and refugee camps in Lebanon, Syria, and Jordan. Fate of Palestinian refugees has been ongoing destabilizing factor in Mideast.

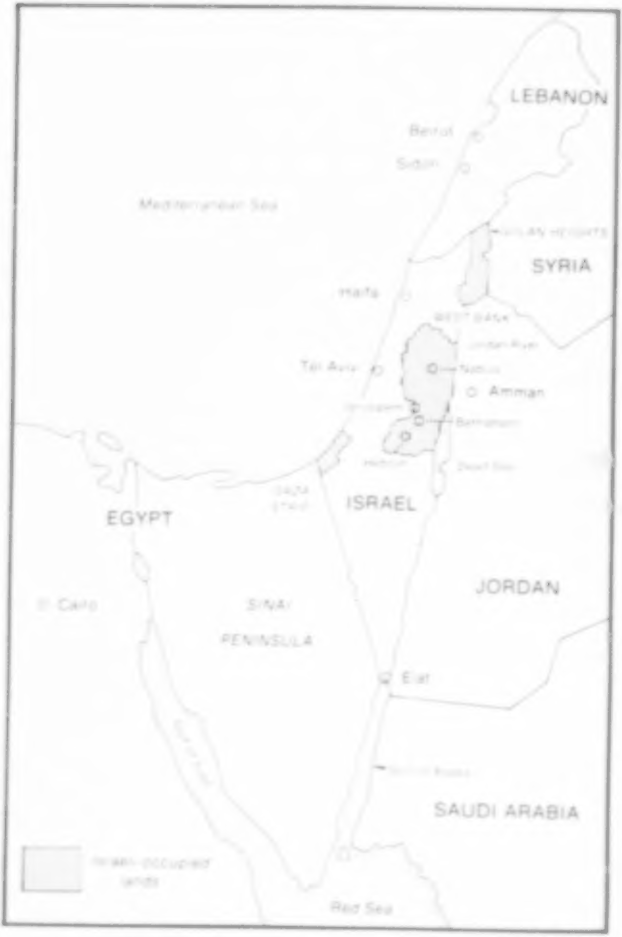
Palestinians

Country	Total	Percentage of Country's Population
Israel and occupied territories	1,834,800	47.0
West Bank	833,000	
Gaza	451,000	
Jordan	1,148,334	53.3
Lebanon	358,207	11.5
Kuwait	299,710	22.0
Syria	222,525	2.5
Other	585,262	
TOTAL	4,449,238	

Source: The American Educational Trust

Suez crisis of 1956. After Egyptian President Gamal Abdel Nasser nationalized Suez Canal in 1956, Israel, France and Britain launched surprise attack against Egypt. Israel seized Sinai Peninsula; U.S. pressure and series of UN resolutions forced all three parties to withdraw.

Six-Day War. Erupted in 1967 between Israel and


LEBANON
Beirut
Sidon
Mediterranean Sea
GOLAN HEIGHTS
SYRIA
Haifa
WEST BANK
Jordan River
Tel Aviv
Nablus
Amman
Bethlehem
Hebron
Dead Sea
GAZA STRIP
ISRAEL
EGYPT
Cairo
SINAI PENINSULA
JORDAN
Elat
SAUDI ARABIA
Israeli-occupied lands
Red Sea

A.G. Smith

Syria, Egypt and Jordan. Israel captured Sinai Peninsula and Gaza Strip from Egypt; West Bank and East Jerusalem from Jordan; Golan Heights from Syria. In Nov. 1967, UN Security Council adopted Resolution 242, which was foundation for later peace talks. Resolution calls for (1) "withdrawal of Israeli armed forces from territories of recent conflict"; (2) states in area to acknowledge each other's "right to live in peace within secure and recognized boundaries free from threats of acts of force."

In Oct. 1973, Syria and Egypt attacked Israel on Yom Kippur, Jewish Day of Atonement. Arabs eventually defeated, but war prompted members of Organization of Petroleum Exporting Countries (OPEC) to declare oil embargo against supporters of Israel, using oil weapon successfully for first time.

Palestine Liberation Organization. Strengthened by Oct. war, recognized as "sole legitimate representative of the Palestinian people" by Arab League in 1974. (PLO, formed in 1964, is umbrella group of eight organizations.) Israelis refuse to deal with PLO, arguing it is a terrorist organization. In 1975, Secretary of State Henry A. Kissinger signed document promising Israel that U.S. would not negotiate with PLO unless latter recognized Israel's right to exist and accepted UN Resolution 242.

Break in united Arab nonrecognition of Israel. Came in Nov. 1977 when Egyptian President Anwar el-Sadat visited Jerusalem. Egypt was Israel's most formidable adversary. With personal intervention of President Jimmy Carter, two countries signed Camp David Accords of Sept. 1978. Accords included (1) Egyptian-Israeli peace treaty, signed Mar. 1979, which called for return of Sinai and establishment of relations between Egypt and Israel; (2) an agreement to work for a vaguely defined Palestinian autonomy in West Bank and Gaza. Arab League (22 Middle Eastern and African countries) condemned accords; isolated Egypt by suspending membership in 1979.

"Cold peace" now marks Egypt-Israel relationship; both say they gave up more than they received. Israel returned Sinai Peninsula to Egypt, gave up oil wells and buffer zone between Israel and Egypt. Egypt faced isolation from Arab world; accepted restrictions on deploying its forces. Stepped-up Israeli settlement of West Bank, area which is still subject to negotiation, angered Egyptians, who expected more conciliatory posture after peace treaty. President Hosni Mubarak recalled ambassador from Israel in Sept. 1982 after massacre of hundreds of Palestinian refugees in Lebanon. Positive Camp David legacy remains: accords have survived assassination of Sadat in 1981; Egypt stayed on sidelines during Israeli invasion of Lebanon; and there has been no war between the two countries.

LEBANON

Lebanon was French protectorate after World War I and thrived for years on trade and tourism. When it became independent in 1943, National Pact (its oral constitution) was designed to take account of multireligious structure of society. Government positions were allocated according to demographics of 1932 census: Maronite Christian, president; Sunni Muslim, prime minister; Shiite Muslim, president of Chamber of Deputies. Parliament seats also assigned by religion, six Christian seats for every five Muslim.

Sunnis form majority sect in Islam, world's second largest religion; populations of Syria, Jordan, and Egypt are predominantly Sunni. Largest minority Islamic group are the Shiites, who disagree with Sunnis over correct successor to Prophet Muhammad; populations of Lebanon, Iraq, Iran are predominantly Shiite. The Druse broke away from other Muslims in the 11th century; now most consider themselves a separate religious group. Druse leadership usually has been leftist, and politically they are allied with Shiites.

Major Sects (status as of 1977)

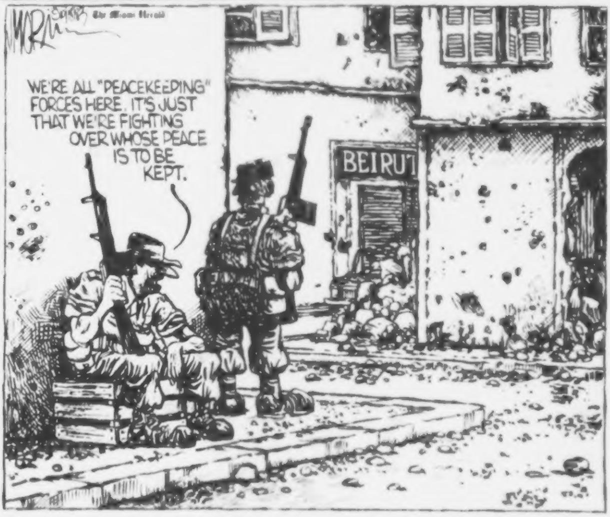
Sect	Number	% of Population	Background
Shiite	875,000	28	Led by Nabih Berri; military arm called AMAL; receives arms from Iran and Syria.
Maronite	775,000	24	Pierre Gemayel leads Phalangists, largest of Christian militia groups. Christians make up largest part of Lebanese army, which is supported by U.S.
Sunni	600,000	19	Ibrahim Koleilat leads Mourabitoun, Sunni militia. Allied with large Sunni Muslim population in Syria.
Greek Orthodox	300,000	9	
Druse	250,000	8	Walid Jumblatt leads militia; receives arms from Syria.
Greek Catholic Christians	200,000	6	
Armenian Christians	160,000	5	

National Pact was not altered over the years to take account of changed demographics; led to resentment by Muslims, particularly Shiites, who were barred from high positions. Waves of Palestinian refugees upset an already tenuous balance. (Palestinians came from Israel after 1948-49 and 1967 wars; from Jordan in 1970 after King Hussein expelled PLO.) Lebanese central government not strong enough to enforce order, and Lebanon became launching pad for PLO strikes against Israel. Presence of PLO further divided Christians (who looked to Israel as an ally) and Sunnis (who often looked to other Arab countries, such as Syria). Civil war broke out in 1975.

Israelis attacked Lebanon in Mar. 1978, in retaliation for a terrorist attack; withdrew in June 1978. Invaded in June 1982, after Israeli diplomat was shot in London. Stated goal was to drive Palestinian guerrillas out of southern Lebanon, but Israelis pushed past their originally declared 25-mile goal, destroyed Syrian missile sites, and encircled West Beirut, where PLO had its headquarters. In Aug. 1982, U.S., together with France and Italy, sent peacekeeping force to oversee evacuation of 8,700 PLO guerrillas from Beirut. Mission completed, U.S. troops left on Sept. 10, 1982.

Some had hoped that weakening of PLO would allow Lebanon to forge stronger government. But hopes were quickly dashed after assassination of President-elect Bashir Gemayel (brother of current president), followed two days later by massacre of hundreds of Palestinians in Shatila and Sabra refugee camps. Although Israelis were not directly involved—allegedly their allies, Christian Phalangists, were responsible—world opinion and Israeli-appointed commission held that Israelis should have anticipated massacre. Eventually, Israeli Defense Minister Ariel Sharon resigned. U.S. sent back Marines on Sept. 29, 1982, to join a multinational peacekeeping force with France, Italy, and later Britain.

May 17, 1983. Lebanon and Israel signed agreement negotiated by U.S. Secretary of State George P. Shultz. Quasi-peace treaty would have normalized trade, established liaison offices between two countries. Israel agreed to withdraw its 30,000 troops, contingent on simultaneous withdrawal of Syrian and Palestinian troops. Arabs condemned agreement, which was never ratified by Lebanese parliament; said Israel


MORIN
The Miami Herald
WE'RE ALL "PEACEKEEPING" FORCES HERE. IT'S JUST THAT WE'RE FIGHTING OVER WHOSE PEACE IS TO BE KEPT.
BEIRUT

Jim Morin © 1983, *The Miami Herald*, reprinted with permission.

was trying to impose peace treaty on another Arab state. Syria refused to withdraw.

War Powers Act. Invoked Oct. 12, 1983; Congress authorized Marines to remain in Lebanon 18 months (see "President, Congress & Foreign Policy"). Administration's stated goals were (1) removal of all foreign forces, (2) unity, independence, and territorial integrity of Lebanon, (3) restoration of Lebanese government's control over its own territory. Policy had bipartisan support.

Public opinion changed after 241 Americans were killed in a terrorist attack on Marine headquarters in Beirut on Oct. 23, 1983. Congressmen began to question whether Marines' mission was possible. Argued one, "If role was to prevent fighting, then 1,600 was too few, and if it was a suicide mission, then 1,600 was too many."

On Feb. 6, 1984, Muslim militia seized control of West Beirut. The next day, President Reagan ordered Marines moved from Beirut airport to U.S. ships offshore. On Mar. 5, Syrians were successful in pressuring Lebanon's president Amin Gemayel to abrogate May 17th agreement; on Mar. 30, Reagan formally terminated U.S. presence in multinational peacekeeping force and announced that U.S. ships would be moved.

In April 1984, Gemayel appointed Rashid Karami, a pro-Syrian Sunni Muslim, as prime minister to form a government of national unity. Karami's objectives are: removal of Israeli troops from southern Lebanon, political change, security for all citizens. With Syrian support, Karami put together a Cabinet that included leaders of conflicting factions, among them Walid Jumblatt and Nabih Berri. Gemayel, whose term as president is not up until 1988, presided over the Cabinet's first meeting on May 10.

SYRIA, SOVIETS AND EAST-WEST CONFRONTATION

Israelis easily destroyed Syria's Soviet-supplied missile batteries when they invaded Lebanon in June 1982. After that, Soviets rearmed Syrians with high-quality weapons and sent some 7,000 military advisers. Syrian President Hafez al-Assad used his increased strength to take advantage of fluid situation; he sought to take control of 10,000 PLO fighters left in Lebanon after summer 1982 evacuation, and he supported May 1983 mutiny of PLO dissidents who opposed Yasir Arafat's leadership. In Nov. 1983 Syrian forces captured last independent PLO stronghold in city of Tripoli; forced second evacuation of PLO in Dec. 1983. After Syria's success in causing Gemayel government to break May 17 agreement, President Reagan said, "Syria is trying to lead a radical effort to dominate the region through terrorism and intimidation aimed, in particular, at America's friends."

Emergence of Syrian strength, backed by Soviet power, caused Administration to react by moving closer to Israel. Critics, among them Robert Neumann, former U.S. ambassador to Saudi Arabia, said U.S. fears of an East-West confrontation could be "self-fulfilling." He urged U.S. to improve relationship with Syrians and give them an option outside of total dependence on Soviets, who have not been a major presence in the Mideast since Sadat threw Soviet advisers out of Egypt in 1972. Others say that Soviets have as little influence over Syria as U.S. does over Israel. They point out that Syria, against Soviet wishes, provoked mutiny in PLO.

CURRENT ADMINISTRATION POLICY

Reagan proposed Mideast peace program Sept. 1, 1982. His plan built on Camp David, but proposed Palestinian self-government in occupied territories in association with Jordan; freeze on West Bank settlements. Israel immediately denounced plan; asserted it would lead to a Palestinian state and "create a serious danger" to Israel's security. Arafat said plan had "positive aspects." He came close to agreeing to allow Jordan's King Hussein to negotiate on behalf of Palestinians, but talks eventually fell through.

By 1983, Lebanon overshadowed news and Administration became preoccupied with East-West implications of conflict. In Nov. 1983, Administration announced strategic cooperation with Israel; two countries will set up a group that will monitor Soviet involvement in the Mideast. Secretary of State Shultz said agreement was limited and specific and largely a response to Soviet activity; denied U.S. had "tilted" to a one-sided, pro-Israeli policy. Many disagreed, Arab allies particularly. Egypt's President Mubarak termed agreement "catastrophic"; Jordan's King Hussein said it made the "U.S. an ally of a belligerent in the tragedy in which we all live." Relations with moderate Arab states reached a new low after congressional opposition led Reagan in Mar. 1984 to cancel proposed sale of advanced hand-held anti-aircraft Stinger missiles to Jordan and Saudi Arabia. In May, escalation of Iran-Iraq war led Reagan to revive plan to sell Stingers to Saudis for self-defense against Iranian air attacks.

New Mideast policy initiatives by Administration seem unlikely until after Israeli (July) and U.S. (Nov. 1984) presidential elections.

POLICY CHOICES

☐ **U.S. should negotiate with the PLO.**

Yes. (1) "Talking with the Palestinians will not guarantee peace. But there will be no peace without an Israeli-Palestinian negotiation," says Harold H. Saunders, one of the negotiators at Camp David. (2) PLO is only legitimate representative of 4.5 million stateless Palestinians. (3) Although present government in Israel opposes, there is support in Israel for discussions with Palestinians. (4) Arafat, present head of PLO, more moderate than possible successors; he has indicated several times that he might be willing to talk.

No. (1) PLO is a "terrorist gang whose intention to destroy Israel is stated . . . in its covenant" (Meir Rosenne, ambassador of Israel). (2) Jordan is more than 50% Palestinian. King Hussein can speak for Palestinians. (3) Until Palestinians accept Israel's right to exist, how can Israel negotiate? (4) It is no longer clear that Arafat runs the PLO: if he did decide to negotiate he would probably be overthrown by extremists.

☐ **U.S. should scrap Reagan plan.**

Yes. (1) Israel is dead set against it. (2) Reagan plan forces too many concessions on Israel, including abandonment of occupied territories. (3) The plan is heavily dependent on King Hussein's cooperation, but Jordan is not cooperating and, unlike Egypt, is not financially strong enough to break with Arab world.

No. (1) Reagan plan is based on Camp David accords and UN Resolution 242, both of which Israel and Egypt accept. (2) It is workable, but to win Arab acceptance, U.S. must be prepared to pressure Israel to stop settlements on West Bank. (3) Search for peace cannot stop with Egypt. U.S. must use a plan that has the potential for involving Jordan.

☐ **U.S. should move its embassy from Tel Aviv to Jerusalem.**

Yes. (1) Every country has the right to determine its own capital, and Jerusalem is Israel's capital. (2) Israel won the right to control Jerusalem when it defeated Jordan (which had controlled East Jerusalem) in 1967 war. (3) Such a "normal, legal and everyday action" should not be deterred by the threat of mob violence. (N.Y.'s Democratic Senator Daniel Patrick Moynihan, author of the bill.)

No. (1) Such a move is premature until the status of Jerusalem, a city sacred to Jews, Christians and Muslims, has been negotiated by all parties concerned. (2)

Jerusalem should be an international city, as the UN originally decreed. (3) It might cause the U.S. "to lose its position as arbiter, as the intermediary, in what might be done between Israel and the Arab states"—Sol M. Linowitz, former presidential envoy to the Middle East.

☐ **U.S. should sell weapons to moderate Arab states.**
Yes. (1) Security of moderate Arab states is in U.S. strategic interest. They need defense against growing power of Iran and Syria. (2) Weapons such as anti-aircraft Stinger missiles are defensive, would not pose threat to Israel. (3) U.S. must be seen as fair-minded broker; Administration requested $1.4 billion in military grants for Israel in 1985.
No. (1) Should not sell state-of-the-art weapons to Arab states that call for the destruction of Israel; they would use these weapons, whatever they promise, in event of new war against Israel. (2) Weapons could fall into the hands of terrorists. (3) Administration requested $1.17 billion in military grants for 1985 for Egypt, the only Arab state that recognizes Israel. Why should U.S. reward those Arab states that do not support U.S. policy?

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12

The Iran-Iraq War

- ✓ *Should the U.S. intervene in the war?*
- ✓ *How will the war's outcome affect the regional countries, and U.S. policy toward the Middle East?*
- ✓ *What are the U.S. interests in the Persian Gulf?*

FACTS

The Countries Compared

	Iran	Iraq
Population (mid-1984)	43.8 million	15 million
Religious and ethnic composition	70% Shiite Muslim (mostly Persian); 29% Sunni Muslim (mostly Turkish and tribal minority groups); 1% non-Muslim (Bahais, Jews, Christians, Zoroastrians)	55% Shiite Muslim (Arab); 33% Sunni Muslim (Arab); 12% Sunni Kurds (tribal)
Oil reserves	63 billion barrels	59 billion barrels
Oil exports (before war)	5.7 million barrels per day (MBD)	3.5 MBD
(spring 1984)	1.9 MBD	0.8 MBD
Leader	Ayatollah Ruhollah Khomeini (since 1979)	President Saddam Hussein (since 1979; at top level of government since 1968)

- Dependence on Persian Gulf Oil (1984)

Japan	63% imports
Western Europe	28% imports
U.S.A.	5% imports

- In fourth year of Iran-Iraq war, Iraq threatened to block Iran's oil exports by attacking major Iranian oil export terminal at Kharg Island in northeastern Persian Gulf.
- West feared this could prompt Iranian attempt to close Strait of Hormuz, narrow chokepoint at southern end of Gulf. About 20% of non-Communist world oil production (8.2 million barrels) passes through strait daily (3.7 million from Saudi Arabia, 1.8 million Iran, 1.1 million United Arab Emirates, 900,000 Kuwait, 400,000 Qatar, 300,000 Oman).
- **Iran's ability to close strait is limited.** Navigable width is 12 miles, too wide to block physically by sinking tankers. Iran could mine channel, but mines could be swept by U.S. Closure would hurt Iran by cutting off oil income. Actual closure not necessary to cause dislocation in oil market; any hostilities toward tankers could result in prohibitive insurance rates.
- **Results of closure.** Probably would cause rise in oil price. U.S. has ways to replace lost oil: about 400 million barrels stored in Strategic Petroleum Reserve; also Saudis now storing about 50 million barrels in tankers outside of Gulf. Other countries outside the area could increase production (Nigeria, Mexico, Indonesia, Venezuela).
- **Border incidents** escalated into war in Sept. 1980. Long periods of stalemate broken by fighting along 906-mile border. Iranians unable to defeat Iraqi army; Iraqi calls for cease-fire spurned by Iran. In 1984 Iran increased pressure on Iraq's economy. (Iraq unable to export oil through Gulf since start of war.) Increasingly desperate Iraq threatened to escalate militarily by using Super Etendard fighters armed with Exocet missiles delivered by France in Oct. 1983. In spring 1984, West nervously awaited large-scale Iranian "final offensive" into Iraq. Attacks on oil tankers in the northern end of the Gulf (outside the war zone) by

both Iran and Iraq in May 1984 led to U.S. fears that the conflict was escalating.

- **Brutality of war.** Number of casualties unknown but very high; mid-1984 estimate: up to 250,000 dead and 700,000 wounded on both sides. Both countries shelling civilian targets. Iraq accused of chemical warfare. Iran accused of using young boys in suicide attacks. International Red Cross in Feb. 1984 said both countries "flout the fundamental principles of international humanitarian law."

BACKGROUND

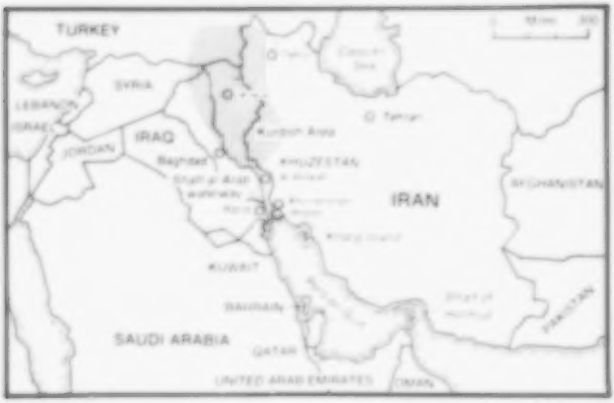
Iran. Ancient Persian Empire, ruled by Pahlavi dynasty (1925-79) until overthrown by revolution led by Ayatollah Khomeini in Jan. 1979. Under late shah, pro-West bastion and oil supplier; relations with U.S. later poisoned by hostage incident and still very bad.

Iraq. Part of Ottoman Empire, then British Mandate after World War I, independence 1932. Closely associated with U.S. when it was part of the Baghdad Pact, which later became Central Treaty Organization (CENTO) 1955-58. Ties broken after 1967 Arab-Israeli war, followed by friendship treaty with Soviets (1972).

Iran-Iraq relations. Both countries Islamic, but there are ethnic and linguistic differences (Iraq—Sunni Arab government, Iran—Shiite Persians). Now, each tries to discredit other's claim to Islamic legitimacy, and each uses war to bolster internal support for regime. Long-standing border differences were supposed to have been solved by 1975 Algiers agreement, which restored Iranian rights in Shatt al-Arab river forming border between countries.

War begins. Iraq renounced Algiers agreement, which it claimed was signed under duress, on Sept. 17, 1980, and on Sept. 22 launched an offensive into Iran. Iraq quickly occupied much of Khuzistan (oil-producing southwest Iran), including important city of Khurramshahr. After long stalemate, Iranian offensives forced Iraqis out of Iran in May 1982. Since then, war of attrition.

Policy of Iraq. Declared war aims were to regain rights over disputed border areas and Shatt al-Arab, prevent Iranians from interfering in Iraq's internal af-

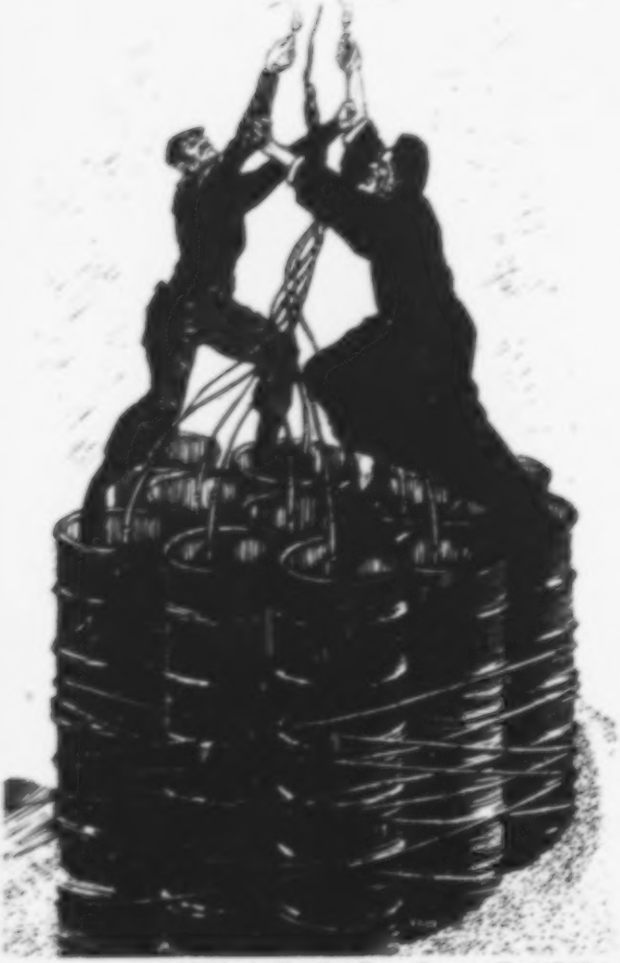

TURKEY
SYRIA
LEBANON
ISRAEL
JORDAN
IRAQ
Baghdad
Shatt al Arab waterway
Basra
Kurdish Area
Tehran
Caspian Sea
KHUZESTAN
IRAN
AFGHANISTAN
Kharg Island
KUWAIT
BAHRAIN
SAUDI ARABIA
QATAR
UNITED ARAB EMIRATES
OMAN
Strait of Hormuz
PAKISTAN

A.G. Smith

fairs, and obtain the return to the United Arab Emirates of islands in Persian Gulf occupied by Iran. Initially thought war would be over quickly, result in Khomeini's downfall, and provoke uprising of support in southwest Iran, which had Arab majority. Iraq surprised by tenacity of Iranian resistance and subsequent refusal to negotiate, let alone surrender. Forced to retreat, Iraqis then attempted to check Iranian "expansion" and prevent spread of subversive ideas. Would probably settle for return of status quo along border. Iraq has received large sums from Arab states, favorable terms from French creditors, and military supplies from Soviet Union and France (also Egypt, Italy, Spain). Through 22-nation Arab League, Iraq has urged industrial nations to stop trading with Iran. Has periodically attacked shipping in Gulf headed for Iranian ports, whether Iranian or not.

Consequences of Iraqi victory. Arab Gulf states would be relieved of Iranian threat, Arab oil supply to West would be assured, international business would benefit. But West fears that if defeated, Iran might call on Soviets for aid. Internal unrest in Iran could lead to breakup and succession of separate Soviet-sponsored republics, as happened after World War II, and perhaps provide Soviets with direct access to Persian Gulf for first time. Israel fears an Iraqi victory, since Arab attention and pressure on it might then increase.

Policy of Iran. War characterized by personal hostility between Ayatollah Khomeini and Iraqi President



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Hussein. Iran's terms for ending war have varied, but usually include an end to aggression, Iraqi withdrawal from Iranian territory, convening of an international panel to assign guilt, removal from power of Saddam Hussein, recognition of Iranian rights over Shatt al-Arab, the return to Iraq of many thousands of Shiite refugees deported over last 15 years, and war reparations. Iran backs Islamic fundamentalist group al-

Da'wa, which seeks overthrow of Iraqi government. Iran desires to export revolution, is accused of backing failed coup attempt in Bahrain (Dec. 1981) and explosions at American and French embassies in Kuwait (Dec. 1983). So far, regime appears to have internal support and adequate manpower to pursue war ("Martyrs are loved by God"—Ayatollah Khomeini). Main source of Iranian arms: North Korea, Syria, Libya (also Israel, South Africa, Taiwan). Iran finances war from oil revenues, Iraq by "contributions" from Arab neighbors.

Consequences of Iranian victory. West fears this would have a destabilizing effect on entire region. Could lead to a Khomeini-style Islamic government in Iraq, Gulf states, or other Islamic countries. An Iran-Syria alliance might increase threat to Israel.

Soviet attitude. Soviets, unwilling to jeopardize relations with either country, officially neutral. Despite friendship treaty, withheld arms from Iraq from outbreak of war until 1982. Relations with Iraq now much better; Soviets supply 70% arms. Soviet-Iranian treaty of 1921 gives Soviets right to put troops in Iran if threatened there by foreign forces. Soviets pleased by anti-American tone of Iranian revolution, but cautious because ruling clerics also anti-Soviet. Iranian crackdown on local Communist party (Tudeh) in 1983 upset Soviets. Soviets can hurt Iran by cutting back on trade; Iranians can hurt Soviets by increasing support to Afghan resistance.

CURRENT ADMINISTRATION POLICY

Persian Gulf. After departure of the British in 1971, ending a century of political supremacy in the Gulf, U.S. relied on the "twin pillars" of Iran and Saudi Arabia to keep oil flowing, keep out Soviet influence, and minimize U.S. military commitments to region. Under "Nixon Doctrine," which sought to minimize U.S. role as world policeman, sophisticated military weapons sold to these two states. Carter Administration also sought to promote human rights, restrain arms exports and spread of nuclear technology.

Twin-pillars policy collapsed after Iranian revolution (shah fled Jan. 1979) and Soviet invasion of Afghanistan (Dec. 1979). Fears of Soviet designs on the Gulf increased. President Jimmy Carter warned that "an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America." Carter Administration planned Rapid Deployment Force (later renamed the Central Command) to respond to crises in the Gulf; Reagan Administration in 1984 proposed supplying Jordan with equipment for an 8,000-man strike force for use in emergencies in the Gulf region.

Carter and Reagan administrations have warned countries not to attempt to close Strait of Hormuz. In spring 1984 U.S. had about 20 warships near the Gulf to prevent this. President Carter: "We will use whatever means is required to keep the Strait of Hormuz open" (Oct. 2, 1980); President Ronald Reagan: "There's no way that we could allow that channel to be closed" (Feb. 22, 1984).

Iran-Iraq conflict. U.S. policy has remained approximately the same since outbreak of war. Key features are military neutrality, refusal to sell arms to both parties, and support for international efforts to stop fighting and negotiate settlement. U.S. hampered by lack of influence on either country. U.S. does not want defeat of Iraq, and since fall 1983 has made slight policy tilt in its favor. U.S. concerned that if Iraq collapsed, formation of Iran-Syria axis could destabilize Middle East. However, U.S. committed to Iranian territorial integrity, since U.S. fears Soviets would increase influence if country broke up. U.S. hopes regional or international bodies, such as Gulf Cooperation Council (Saudi Arabia, Oman, Kuwait, Bahrain, Qatar, United Arab Emirates) or UN, can help negotiate end to war.

U.S.-Iraq. Ties greatly improved since 1967; U.S. ready to resume full relations, but Iraq unwilling until war ends. Iraq removed in 1982 from U.S. list of countries supporting terrorism, which had made it ineligible to receive military supplies. U.S. has granted $840 million in agricultural-commodity credits. Iraq has blamed U.S. for allowing indirect transfers of U.S. weapons to Iran; U.S. has criticized Iraq for use of "lethal chemical weapons" (mustard gas and nerve gas), outlawed by 1925 Geneva Protocol.

U.S.-Iran. Relations dominated by memory of hostage incident (52 Americans held for 444 days, released Jan. 20, 1981). U.S. believes Iran aided attackers who bombed Marine compound in Beirut, Oct. 1983; Iran officially listed by U.S. government in Jan. 1984 as among nations supporting terrorism. Spring 1984—war of nerves in the Gulf, minor incidents between U.S. and Iranian ships and planes. No diplomatic relations since 1980, but regular contact takes place via Iran-U.S. Claims Tribunal in The Hague, set up as part of accord ending hostage crisis. Trade with U.S. resumed after hostage affair, and increased greatly in 1983. U.S. exports to Iran for 1983 totaled $190 million officially, but indirect trade may have been much greater. In 1983, 3.5% total U.S. oil imports came from Iran.

POLICY CHOICES

☐ **U.S. should increase pressure on other countries to share defense of the Gulf.**

Yes. (1) U.S. depends much less on Persian Gulf oil than Western Europe and Japan; they should assume responsibility for Gulf's defense. (2) Best alternative may be to rely on forces of regional allies, for example, the Gulf Cooperation Council or Jordan.

No. (1) U.S. has unilaterally assumed defense of the Gulf; sharing of mission with others might cause U.S. to lose control of policy objectives in region. (2) Only U.S. has adequate military resources to intervene.

☐ **U.S. should support Iraq.**

Yes. (1) Since U.S. believes an Iranian victory would be disastrous for U.S. interests, it should take concrete action to help Iraq. (2) Other Arab states, worried about U.S reliability after abandonment of Iran's shah and withdrawal from Lebanon, would be reassured by U.S. intervention. (3) If Gulf was secure enough for oil exports of all regional countries to move freely, increased supply might lower price.

No. (1) Iraq as aggressor should not be rewarded with U.S. support; if they can't win war, U.S. should not do it for them. (2) Pro-Iraq tilt might infuriate Iran, induce it to commit unknown terrorist acts and perhaps to attack Arab oil installations in the Gulf. (3) Iraqi oil exports could be increased despite closure of Gulf: Syrian pipeline could be reopened, capacity of Turkish pipeline augmented.

☐ **U.S. should support Iran.**
Yes. (1) Iran more important strategically and demographically than Iraq, so if forced to choose, U.S. should back Iran. (2) U.S. has long history of friendship with Iran and should not write it off despite present unfriendly government. By making gesture of support, could counter Soviet influence, and perhaps encourage more moderate government there. (3) Iran once a very important export market for U.S. and should be again eventually as country rebuilds.
No. (1) U.S. humiliated by hostage episode and considered "Great Satan" by Iran, which also was implicated in terrorist actions. Why should we help them? (2) Arab friends of U.S. would be very upset; also Soviets might be encouraged to step up efforts to destabilize Iran. (3) U.S. exports to Arab states are very large and might be jeopardized if we aided Iran in war effort against fellow Arab state (Iraq).

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13

Central America

- ✓ ***Does turmoil in Central America threaten U.S. security?***
- ✓ ***Should U.S. give only economic aid to Central America?***
- ✓ ***Should U.S. be prepared to send in troops?***
- ✓ ***Could Central America turn into another Vietnam for U.S.?***

FACTS

The countries compared:

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Population, late 1984 (mil.)	2.5	4.8	8.0	4.2	2.9
Per capita GNP	$1,280	$700	$1,130	$660	$920
Literacy rate (%)	93	65	50	60	66
Infant mortality (per 1000 births)	18	44	66	87	89
School-age population in school (%)	55	47	33	48	54

Sources: Population Reference Bureau's 1983 World Book Atlas and 1984 World Population Data Sheet.

BACKGROUND

Monroe Doctrine of 1823, cornerstone of U.S. policy toward Central America, warned that "the American continents . . . are henceforth not to be considered as subjects for future colonization by any European powers." President James Monroe feared Russian and Spanish interference, but for most of 19th century, Britain was America's chief rival. Only after World War I, when U.S. power in Central America was firmly established, did America once again become concerned with Russian interference.

The Central American countries (**Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica**) are former Spanish colonies. These countries, once called banana republics, depend on earnings from coffee, bananas and other primary product exports. Drop in commodity prices that followed sharp increase in oil prices in 1979 pushed Central America into an extended economic crisis. Real growth rate slumped to –4.8% in 1983; down from an average 3.6% throughout the 1970s. Nicaragua and El Salvador hardest hit, with –10% and –6% growth rates, respectively.

Central America is closely tied economically to U.S., which is its dominant trading partner, providing 24% of its imports and taking 46% of its exports. While admiring U.S. stability and prosperity, Central Americans feel U.S. does not treat their countries as independent sovereign powers and resent past U.S. support of such unpopular but stable dictatorships as the Somozas in Nicaragua.

EL SALVADOR

Smallest, most densely populated country in Central America. Traditionally, small group (known as *catorce*, the 14 families) controlled 60% of land; allied itself with military to run country. Opposition party allowed to campaign freely in 1972 elections, but when its candidate, Christian Democrat José Napoleón Duarte, appeared to win, army seized ballots and installed its own president. Two colonels staged reformist military coup in 1979; brought in Duarte to head junta.

Reforms were too little, too late. Since 1979, El Salvador embroiled in violent civil war that pits leftist guerrillas (who now hold partial control of 25% of country) against right-wing "death squads" (many financed by conservative landowners who oppose land reform). Some 35,000 civilians have been killed since 1980, most by death squads.

In May 1984 presidential election, Duarte defeated Nationalist Republican candidate Roberto D'Aubuisson. D'Aubuisson, who had been linked to death squads, ran an anti-American, jingoistic campaign; resented U.S. criticism of government's human rights abuses. Duarte more conciliatory; promised action on U.S.-backed land reform program and dialogue with

Gulf of Mexico
CUBA
JAMAICA
Kingston
MEXICO
BELIZE
Belmopan
Guatemala City
GUATEMALA
HONDURAS
Tegucigalpa
Caribbean Sea
San Salvador
EL SALVADOR
NICARAGUA
Managua
COSTA RICA
San Jose
Panama
PANAMA
COLOMBIA
Pacific Ocean

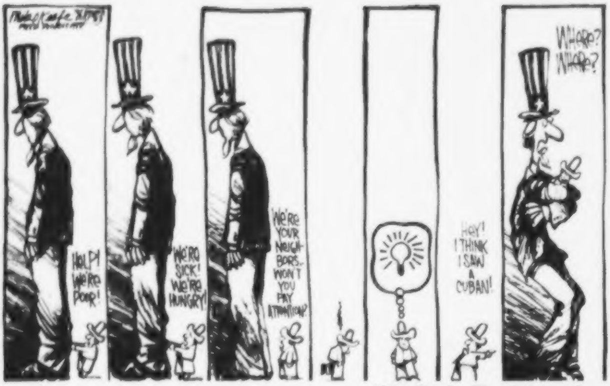
A.G. Smith

left. Some 10,000 rebels, members of Marxist-led Farabundo Marti National Liberation Front (FMLN), boycotted elections.

Success of moderate candidate considered by many a victory for Administration's Central America program. In May 9, 1984, speech, President Ronald Reagan called for increased aid for El Salvador, arguing that "evidence mounts of Cuba's intentions to double its support to the Salvadoran guerrillas and bring down that newly elected government in the fall. Unless we provide the resources, the Communists will likely succeed."

One day later, House of Representatives authorized (in vote of 212-208) President to spend $129.4 million on Central America (primarily El Salvador) in addition to the $65 million in military aid and $199 million in economic aid that Congress had already appropriated for El Salvador in 1984. Opposition argued that success of new government would depend on its ability to promote social justice, make progress on land reform and human rights, and reform Salvadoran army. Critics of Reagan policy contend that civil war is product of domestic discontent, not outside instigation. "Revolutions cannot be exported like butter and bacon," said *New York Times* editorial. "If they could, why have the American-backed 'contras' in Nicaragua failed to win control of a single town or province?"

Human rights violations have made aid to El Salva-


HELP! WE'RE POOR!
WE'RE SICK! WE'RE HUNGRY!
WE'RE YOUR NEIGHBORS... WON'T YOU PAY ATTENTION?
HEY! I THINK I SAW A CUBAN!
WHERE? WHERE?

Mike Keefe, *The Denver Post.*

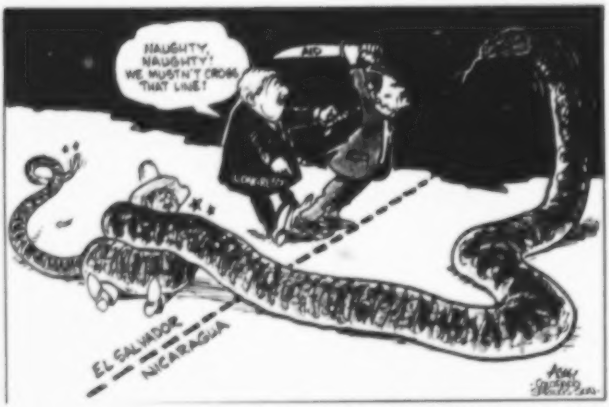
dor controversial in Congress. U.S. military aid was cut off in 1977 because of death squad activities, but President Jimmy Carter reinstated it in 1981. After taking office, President Reagan raised level to $25 million after U.S. State Department White Paper argued that El Salvador was "textbook case of indirect aggression by Communist powers through Cuba."

In fall 1983, Reagan Administration became more outspoken about need to end death squads and denied visa to D'Aubuisson; termed death squads "enemies of democracy every bit as much as the guerrillas and their Cuban and Soviet sponsors." But in Dec. 1983, Reagan vetoed bill that made aid to El Salvador contingent on his assuring Congress every six months that the country was improving its human rights record. Instead, in Jan. 1984, Administration voluntarily certified that "important progress has been made." Democratic presidential candidates favor mandatory human rights certification.

NICARAGUA

Somoza family ran Nicaragua, 1934-79. Family seized land area the size of Massachusetts, while 200,000 peasants owned no land. Corruption of regime highlighted after earthquake destroyed much of capital city, Managua, in 1972. U.S. sent $32 million in relief, but Nicaraguan treasury could only account for $16 million of it.

Sandinists—coalition with broad support—overthrew dictatorship of Anastasio Somoza Debayle in



By permission of the *Colorado Springs Sun.*

1979. President Carter tried to encourage democracy through aid program. U.S. gave $117 million in economic aid from 1979 to 1981. However, Marxists gradually took control of junta, pushing out moderates.

Reagan cut off aid to Nicaragua in 1981; called it a destabilizing force in the area and conduit for Cuban and Soviet arms and aid to other revolutionary movements. Administration accused Nicaraguans of shipping arms to guerrillas in El Salvador. In 1981, Reagan Administration began supporting group of 7,000 rebels or *contras*, who had banded together after revolution to form Nicaraguan Democratic Force, based in Honduras. Group included some remnants of National Guard that had supported Somoza. Another anti-Sandinist insurgent group, Revolutionary Democratic Alliance, based in Costa Rica. Congress approved $24 million in covert aid for contras for 1984. According to Central Intelligence Agency (CIA) report, insurgent groups don't have power to topple Sandinists, but they have hurt economy.

In fall 1983, Sandinists began making conciliatory gestures toward Washington: promised to hold elections in 1985, reduced censorship of national newspaper, *La Prensa*; said they were prepared to send all foreign advisers home if other Central American countries would do same. In Nov., 2,000 Cubans left Nicaragua; 6,000 remained. At same time, Sandinists still harass church and business groups and have wavered on concessions, often changing election schedule (in Feb. 1984 moved up election to Nov. 1984) or reimposing censorship. Administration has not been sympathetic to negotiations with Sandinists.

Reagan argues that Sandinist rule is "a Communist reign of terror," supported by Cuba and Soviet Union. He describes contras as "freedom fighters" who felt betrayed by the course of the Sandinist revolution. "If the Communists are starting war against the people of El Salvador, then El Salvador and its friends are surely justified in defending themselves by blocking the flow of arms."

Scope of contra mission is continuing source of disagreement between Administration and Congress. In 1981, Congress agreed to covert aid to intercept arms going from Nicaragua to El Salvador; amendment, sponsored by Congressmen Edward P. Boland (D-Mass.) and Tom Harkin (D-Iowa) and passed Dec. 1982, prohibits Administration from funding contras with purpose of overthrowing government. Following reports in Apr. 1984 that Americans working for CIA were supervising mining of Nicaraguan ports, House and Senate passed resolutions opposing use of Federal money for that purpose. Congressmen complained that President was infringing on their war-making powers; concerned that "secret war" will escalate (Soviet, Japanese, Dutch, Panamanian and Liberian ships were damaged by mines).

UN Security Council resolution condemning mining (13-1, Britain abstained) vetoed by U.S.; Administration also said U.S. would not accept World Court jurisdiction in disputes involving Central America for two years. Administration argued that trial would turn into propaganda forum and would divert attention from "the real issues," Nicaragua's export of arms to guerrillas in El Salvador. On May 10, World Court ruled (15-0) that U.S. should immediately halt any attempts to blockade Nicaragua's ports.

Democratic presidential candidates oppose any support for contras. They say U.S. intervention, which hurts Nicaraguan economy, strengthens domestic sympathy and support for Sandinists and could push regime, which still contains some democratic elements, into arms of totalitarian Soviets. Opponents of Administration policy favor negotiations through Contadora group (Colombia, Mexico, Panama, Venezuela). Group argues that Central America must solve its own problems, and force "does not resolve, but aggravates the underlying tensions." Group favors demilitarization of region. Administration supports group's efforts in principle but argues plan is not verifiable.

HONDURAS

U.S. considers Honduras its closest ally in Central America. Honduras elected civilian president on Nov. 29, 1981, after 18 years of military rule. Military is anti-Communist and has allowed U.S. to use country as springboard for counterrevolution in Nicaragua by training Hondurans, building military bases, and stationing contras there. Since Feb. 1983, U.S. and Honduras have carried on a series of joint military maneuvers; Apr. 1984 military exercises, "Grenadero I," involved up to 5,000 U.S. troops. By spring 1984 there was some concern that U.S. was turning Honduras into a "client state" and destabilizing what was already a fragile government.

COSTA RICA

Costa Rica is oldest democracy in Central America (35 years old) and one of most stable countries in Latin America. President Luis Alberto Monge Alvarez is hostile to Sandinists, but he has declared strict military neutrality in Central America's conflicts and has said country intends to remain unarmed. However, in 1984 Costa Rica is due to receive $7.5 million in U.S. military aid, mainly light arms, to strengthen its small security forces. (Costa Rica disbanded army in 1948.)

GUATEMALA

In 1954, a CIA-trained group of Guatemalan exiles overthrew left-leaning president, Jacobo Arbenz Guzman. Since then, Guatemala has been run by military. In 1977, angered by President Carter's human rights campaign, Guatemala renounced U.S. military aid. Unlike El Salvador, Guatemala does not seem to have a center or left. In Mar. 1982 elections, all four candidates were identified with the right. After elections, General Efrain Rios Montt and other rebel officers seized control.

About 52% of population is Indian and many have joined guerrilla movement. When Rios Montt came to power he first offered guerrillas amnesty, then declared state of seige. In six months, from 3,000 to 5,000 Indians were killed. Rios Montt was deposed on Aug. 8, 1983, by Defense Minister Oscar Humberto Mejía Victores, a conservative anti-Communist. Administration supported Mejía, who offered to hold elections for constituent assembly in 1984 and general elections in 1985. Congress refused to reinstate military aid on Nov. 23, 1983, because of human rights violations, which have continued to increase.

Another Vietnam? Observers have compared Central America to Vietnam. Some describe it as a quagmire and warn that U.S. should not get involved in national conflicts. Others draw a different lesson. Said Lt. Gen. Victor Krulak, a special assistant to Joint Chiefs of Staff, 1962-64, "We must not repeat the error of gradualism. . . . We tried to inch our way toward a solution instead of providing South Vietnam with all needed support at the outset."

Success of U.S. in Grenada, island in eastern Caribbean, led many to conclude that "Vietnam syndrome" was over and that U.S. was once again ready to use force to defend its interests. U.S. invaded island on Oct. 25, 1983, to ensure safety of 1,000 U.S. citizens after Prime Minister Maurice Bishop was shot and more radical regime took control. Upon arrival, U.S. forces found 900 Cuban, Soviet and East European personnel. Nicaraguans watched invasion with anxiety. Some observers suggested it prompted Nicaraguans to make their conciliatory gestures.

CURRENT ADMINISTRATION POLICY

Administration believes turmoil in Central America is part of overall East-West conflict. Reagan concerned that Soviet Union and Cuba are exploiting real social problems—poverty, hunger, corruption—to destabilize U.S. "front yard." As a result of Reagan's perception of Soviet aims, emphasis has been less on human rights, more on stabilizing friendly regimes.

Recognizing need for domestic support for policy in Central America, Reagan set up National Bipartisan Commission on Central America in summer 1983, headed by former Secretary of State Henry A. Kissinger. Commission's report, dated Jan. 10, 1984, recommends a massive military and foreign aid program, costing $8 billion over 5 years (an annual amount twice 1983 level).

Report addresses both social and military issues. "Unless rapid progress can be made on the political, economic and social fronts, peace on the military front will be elusive." Report recommends new emergency aid, increased food aid, trade credits, Literacy Corps (volunteers who would teach reading skills), and human rights certification for El Salvador. "But, unless the externally supported insurgencies are checked and the violence curbed, progress on those other fronts will remain elusive." Report recommends enough military aid for El Salvador ($400 million for the two-year period, 1984 and 1985) to end civil war's stalemate, and implies support for contras. President Reagan endorsed report (except human rights certification) and submitted recommendations to Congress in Feb. 1984.

Critics argue that Central America's problems are indigenous and only solution is economic growth and peace. If Soviets are exploiting problems, then U.S. should try to remedy them, not bring more war. "You cannot have peace as long as you fuel war" (former ambassador to El Salvador Robert E. White). Historian Arthur M. Schlesinger Jr. argues that Kissinger report is contradictory because if military objectives are achieved, it will entrench in power those least interested in carrying out social change. White argues that report may undermine Contadora process because it does not put enough emphasis on negotiations. (Report rejects talks with left in El Salvador and argues that contra attacks will prod Nicaraguans to negotiate.)

Cost of program raises concern. Critics, among them political scientist Walter LaFeber, point out that President John F. Kennedy's Alliance for Progress poured $10 billion into Latin America during the 1960s, but was not able to bring stability. Critics say that ability of Central America to absorb aid is limited because of bureaucracy and corruption. Money would wind up in hands of rich. Supporters note that Kissinger report recommends new Central American development organization, which would help handle money. Also, commission urges measures that would make economies more efficient: trim government, cut tariffs, readjust overvalued currencies.

POLICY CHOICES

☐ **U.S. should stop funding contras.**

Yes. (1) "The President's efforts to overthrow [the Nicaraguan government] stain the integrity of a nation supposedly devoted to law at home and self-determination abroad" (Tom Wicker, *New York Times* columnist). (2) Mining Nicaragua's ports drew U.S. closer to war; alienated our allies; violated international law. We acknowledged as much by refusing to accept the jurisdiction of the World Court in this dispute. (3) Opposition to U.S. intervention in Nicaragua has mobilized support behind Sandinist government and made it more dependent on Cubans, Soviets.

No. (1) Covert action gives U.S. an alternative between going to war and doing nothing to support friends threatened by Communists. (2) Mining Nicaragua's ports was an act of "collective self-defense" against aggressor nation. Mines were not powerful enough to sink ships; they could only cause damage. (3) "The U.S. is helping a fighting force of Nicaraguans harass the Communists in power. . . . our purpose is nothing to be ashamed of" (William Safire, *New York Times* columnist).

☐ **U.S. should focus on diplomacy and economic aid; cut or stop military aid.**

Yes. (1) "The principal threat in Central America is not communism, but poverty" (Sen. Gary Hart, D-Colo.). (2) U.S. goal must be to break Central America's cycle of violence. If 39,000 Salvadoran troops can't prevail over 10,000 guerrillas, military aid is not the answer. (3) We learned in Vietnam that we cannot impose peace; we must negotiate with all parties involved. (4) U.S.

should maintain contacts with revolutionary movements: Sandinists in Nicaragua, FMLN in El Salvador. If we do not, we force them to rely on the Soviet Union.
No. (1) The principal threat to Central America is external—Soviet- and Cuban-supported revolution. (2) Faced with an external threat, El Salvador and Honduras must be given arms to defend security. (3) Sandinists and Salvadoran guerrillas are not interested in negotiations: Nicaragua has developed largest army in Central America; El Salvador's guerrillas had an opportunity to participate in elections but chose not to. (4) We did give aid to new Sandinist government in Nicaragua and it nevertheless turned to Soviets.

☐ **U.S. should withdraw support altogether and "let history take its course."**
Yes. (1) We cannot act as if every revolution in the third world is a threat to our security. (2) Soviet ability to exploit the situation is minimal. After U.S. invasion of Grenada, Cuban Premier Fidel Castro told Nicaragua that Cuba could not be relied upon for military assistance. (3) If we intervene, we will only wind up sowing new "Somozas" and increase resentment of Central Americans.
No. (1) "Central America is America. It is at our doorstep" (President Reagan). (2) Who can say what Soviet ability is? Who would have believed Soviets would put missiles in Cuba in 1962? (3) Totalitarian regimes by their nature disregard human rights; at least authoritarian regimes hold out possibility of future elections.

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14

Japan

Can the U.S. successfully compete with Japan?

What leverage does the U.S. have on Japan's economy?

Should Japan assume a greater role in its own defense?

FACTS

- Japan the principal ally of the U.S. in East Asia, but the principal competitor of the U.S. in world trade.
- Total Japan-U.S. trade passed $60 billion in 1983.
- Together, U.S. and Japan account for one third of world gross national product (GNP).
- U.S. trade deficit with Japan larger than with that of any other country—$19.4 billion in 1983, projected to rise to $26 billion in 1984.
- "Japan is the cornerstone of the U.S. forward defense strategy in the Asian-Pacific region"—Caspar W. Weinberger, Secretary of Defense.
- U.S. has about 46,000 troops in Japan.

The countries compared	**Japan**	**U.S.**
Average real GNP growth, 1973-83	4.1%	2.3%
1983 real GNP (% change from 1982)	2.8%	2.4%
Defense spending as % of GNP	1.0%	6.5%
Balance of trade ($ billions, 1983)	+22.3	–69.4
Exports to U.S./Japan as % of total	27%	17%
Unemployment	2.5%	10.2%
Population	119 million	235 million
GNP per capita (1982)	$10,080	$13,160

BACKGROUND

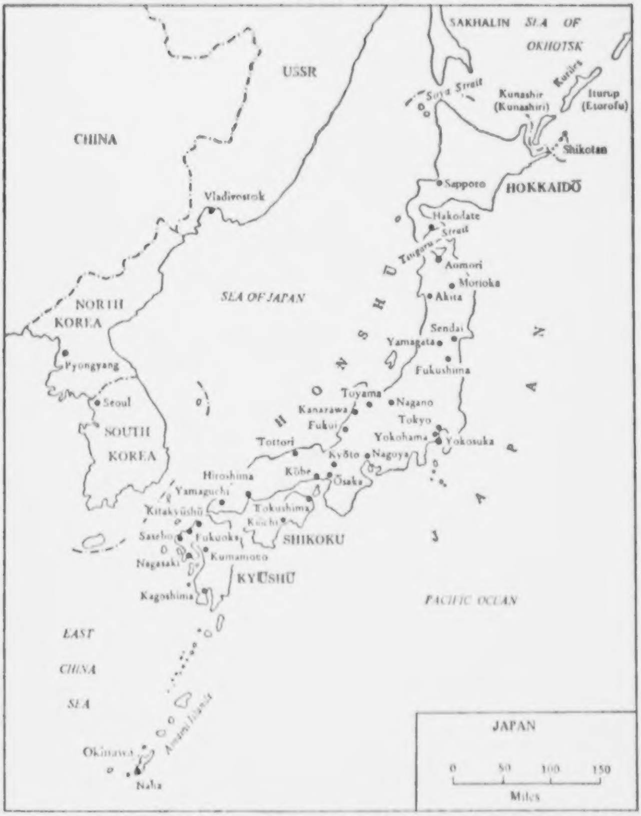
THE ECONOMY

War aftermath. World War II left Japanese economy in ruins. Under nearly seven-year U.S. occupation, Japanese government and national goals radically transformed. Emperor lost all political power; nobility abolished; political parties legalized; franchise extended. Newly secularized government remade into parliamentary democracy with Cabinet responsible only to freely elected legislature. Japan lost overseas territories. New Constitution barred creation of armed forces and renounced war as sovereign right of nation. Japan headed by moderate conservative governments for last 30 years and has been led since Nov. 1982 by Prime Minister Yasuhiro Nakasone of the Liberal Democratic party.

Japanese miracle. Postwar economic recovery spurred by Korean War (1950-53). U.S. required massive supplies, ranging from uniforms to coal. In many cases Japan could supply material faster and cheaper than U.S. Rapid economic growth averaged 10% per year from mid-'50s to oil crisis of 1974. Cotton textile industry prospered; Japan became world's largest shipbuilder less than decade after war. New prosperity created industrial labor shortage; real wages tripled (1952-72). Shift to high-technology industries requiring less labor led to decline in textile production, increase in machinery and transportation equipment (1955-68). Percentage of labor force engaged in agriculture dropped from 40% in 1945 to 11% in 1980.

To guarantee reliable supply of raw materials and provide outlet for domestic industries, Japan expanded economic relations with other countries. Japan invested abroad in banking, insurance, sales, distribution, light industry, mines, processing plants, transportation facilities, and ports.

Sought to build plants and secure markets in Taiwan and South Korea, both controlled by Japan until 1945. Former enemies a principal source of imports—including India (iron ore), Australia (iron ore, coal, sugar, wool), the Philippines (copper, sugar, timber), and Thailand (tin, rubber, corn).


SAKHALIN
SEA OF OKHOTSK
USSR
Soya Strait
Kurils
Kunashir (Kunashiri)
Iturup (Etorofu)
Shikotan
CHINA
Sapporo
HOKKAIDŌ
Vladivostok
Hakodate
Tsugaru Strait
Aomori
Morioka
Akita
NORTH KOREA
SEA OF JAPAN
HONSHŪ
Sendai
Yamagata
Fukushima
Pyongyang
Seoul
Toyama
Kanazawa
Nagano
Fukui
Tokyo
SOUTH KOREA
Tottori
Yokohama
Yokosuka
Kyōto
Nagoya
Kōbe
Ōsaka
Hiroshima
Yamaguchi
Kitakyūshū
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Free trade vs. protectionism. U.S. had trade surplus with Japan for about a century, but trend reversed in 1965, when U.S. deficits began. Today's trade problems had origins in 1950s. First Japanese textiles, later automobiles, competed with U.S. products. Manufacturers demanded protection. U.S. government, which favored free trade, proposed voluntary export limits for Japan.

Japan's trade with U.S. much greater than with any other nation. Japan is second largest U.S. customer after Canada. Major exports to U.S.: new passenger cars, office machinery, consumer electronics, electronic machinery and parts, trucks and other motor vehicles, steel mill products. Major imports from U.S.: corn, aircraft and parts, chemicals, soybeans, coal, office machinery and computers, lumber.

Automobile exports a major source of friction. About half of U.S. trade deficit ($10.3 billion) attributed to imports of Japanese cars. Japan benefited from U.S. preference for small cars after oil shocks of '70s, and by 1980 could produce a small car for $2,000 less than U.S. companies.

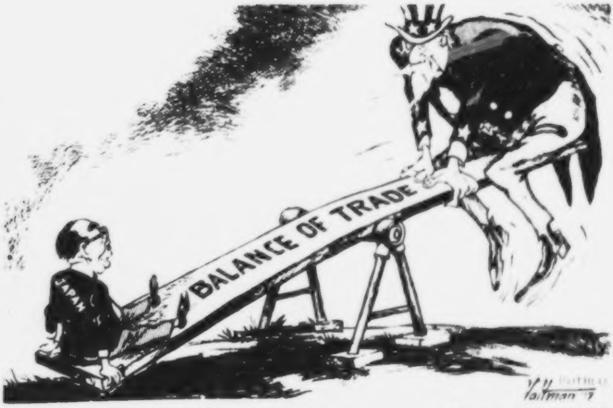
Japanese agriculture least competitive and most protected sector, subject of U.S. complaints. An agreement of symbolic importance, reached in Apr. 1984, will allow American farmers to sell significantly more beef and citrus products in Japan.

DEFENSE

In immediate post-World War II period, U.S. chief of occupation General Douglas MacArthur recommended Japan remain permanently unarmed and neutral. However, when Korean War began and U.S. troops were transferred there, he changed his mind and permitted establishment of a national police reserve, nucleus of future Self-Defense Forces (SDF). Japan's security needs ultimately guaranteed by U.S., since Japan is a nonnuclear power.

Japan's attitude toward defense. Since World War II, pacifist attitudes have prevailed; defense spending has been limited. Japanese view security in broadest sense of stability, cooperation, and prevention of war. Japan wants to build peace through nonmilitary activities such as promotion of international economic growth and development, encouragement of disarmament, and foreign aid. Japan ranks fourth in world in foreign aid contributions—70% goes to Pacific Asia region, mostly South Korea and five members of Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Singapore, Thailand.

However, attitudes hardened in 1983 with increased fear of Soviet intentions. After Soviets shot down Korean airliner over Sea of Japan (Sept. 1, 1983), opinion polls showed 46% of Japanese believed defense efforts had to be increased. Causes of concern: Soviets have deployed some SS-20 missiles and Backfire bombers in Asia and are reportedly considering transferring



Valtman—ROTHCO

more missiles from Europe to Asia; frequently intrude into Japanese airspace and have militarized nearby southern Kurile islands, claimed by Japan; Japanese fear Soviet expansion into Asia (Afghanistan, Indochina), and proximity to Persian Gulf.

Japanese Prime Minister Nakasone committed to a strong defense, although very hard to reach Cabinet consensus on increasing expenditure. Percentage GNP devoted to defense far below levels of other countries which maintain significant armed forces. In 1970s, increases averaged 7% annually, while North Atlantic Treaty Organization (NATO) countries' defense budgets increased only 3%. Fiscal year 1984 increase is 6.5%, good for an austerity budget. Cabinet decision in 1976 to limit defense spending to 1% GNP is psychological obstacle to higher outlays. However, by NATO accounting methods, Japan spends 1.6% GNP. Today, Japan has eighth-largest defense budget in world ($12.5 billion). Total armed forces: 241,000 (including army—156,000, navy—42,000, and air force—43,000).

Japan-U.S. military tie. First signed bilateral security treaty in 1951. Japanese unhappiness with this (seen as unfair—provided for U.S. bases and role in internal security, and had no expiration date) led to 1960 Treaty of Mutual Cooperation and Security. Under this treaty, still in effect, U.S. committed to defend Japan, but Japan only committed to defend itself. Japanese sensitive to U.S. connection. First public reference to U.S.-Japan "alliance" by then Prime Minister Zenko Suzuki (May 1981) caused domestic protest. Nakasone, however, now emphasizes importance of "alliance." U.S. has 119 bases in Japan: Japanese government contributes $1 billion annually to maintain them.

U.S. views Japan as crucial forward base from which to protect Asian allies, especially Japan itself, South Korea, and the Philippines. Moreover, many believe Japan, not China, can best further overall U.S. interests in Asia and therefore U.S. should pay more attention to Japanese perceptions and policy goals.

CURRENT ADMINISTRATION POLICY

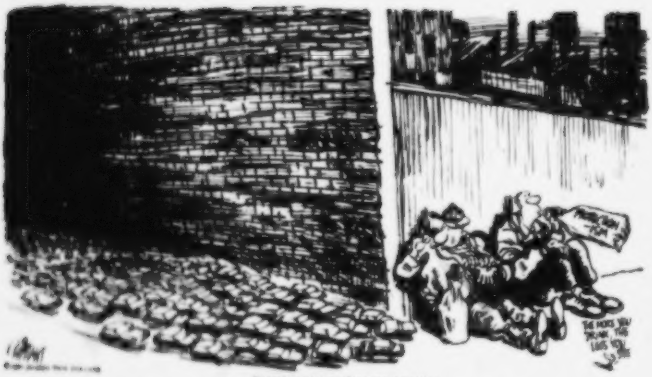
U.S. maintains close relations with Japan; President Ronald Reagan and Japanese Prime Minister Nakasone met three times in 1983. On visit to Tokyo in Nov. 1983, Reagan said, "No relationship between any two countries is more important to world peace and prosperity than the relationship between the U.S. and Japan."

Main U.S. complaints are Japanese protectionist trade policies and reluctance to increase defense effort. If trade barriers removed, estimated U.S. exports to Japan would be $3 billion to $5 billion higher at the end of 3 years. Gallup poll in Sept. 1983 found 73% of American public believed Japanese imports pose "a serious threat now to the jobs of American workers."

MAJOR BILATERAL ISSUES

Economic. Trade deficit: U.S. policy does not address directly; Administration believes problem would be solved if U.S. is given greater access to markets.

Export restraint—car sales. Administration is opposed to domestic content legislation (requiring percentage of car components to be manufactured in U.S.), favored by American unions and supported by presidential candidate Walter Mondale. Believes solution is in marketplace: problem will be solved as U.S. car companies become more efficient. In response to U.S. pressure, Japan instituted "voluntary" curbs on auto exports to U.S. For year beginning Apr. 1984, limit is 1.85 million cars; for the first three years of curbs,



"WHAT LITTLE JAPANESE CARS?"

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only 1.68 million entered. (Nine million cars sold in U.S. in 1983.) There is growing sentiment in U.S. that car quotas are bad deal for America, have led to higher prices.

Easier access for U.S. investment. U.S. wants to open Japanese capital markets to foreigners and permit yen to be more widely used in international transactions. Agreement reached in Nov. 1983 to take steps to strengthen value of yen against dollar; however, Treasury Secretary Donald T. Regan charged in Apr. 1984 that this promise had not been carried out. New worry: increasing Japanese ownership share in American factories (especially steel, autos, computers).

Import liberalization: Apr. 1984 agreement on agricultural products (mainly beef and citrus products) helped ease longstanding U.S. complaints. U.S. also wants easier market access for high-technology trade, including satellites. Complains that MITI (Japanese Ministry of International Trade and Industry) wants to remove standard copyright protection on software.

Military. Security relationship ultimately as important as the economic tie. U.S. would like to see Japan expand military forces and increase defense budget, but has not tried to force the issue. This is not yet favored by Japanese public opinion and would alarm Soviets. Linkage of U.S. trade and defense policies has been suggested, but might be difficult to implement.

POLICY CHOICES

☐ **U.S. should pressure Japan to increase its defense efforts.**
Yes. (1) Japan can afford to increase its military budget as U.S. and other countries have done. (2) Japan is currently unable to meet some military commitments, such as defending sea-lanes 1,000 miles off its coast. (3) Japanese public opinion now favors a stronger defense.
No. (1) Japan has a constitutional prohibition against forming armed forces (SDF is limited to home defense), and Japanese Socialist party, largest opposition group, opposes military expansion. (2) Lack of manpower a problem; a draft considered politically impossible. (3) Other countries in region defeated by Japan in World War II (the Philippines, Indonesia, Indochina, North and South Korea, China) would be alarmed at any evidence of renewed "militarism."

☐ **U.S. should pressure Japan to relax trade barriers.**
Yes. (1) Japanese reluctance to reduce trade surplus with U.S. is unfair, since U.S. pays for Japan's defense. (2) Past pressure has resulted in some Japanese accommodation to U.S. concerns; greater pressure might get greater results. (3) Japanese trade barriers encourage protectionist sentiment in U.S., which hinders U.S. policy of free trade.
No. (1) If U.S. economy becomes more competitive, deficit problem will disappear. (2) U.S. should remove export barriers to Japan. If U.S. agreed to sell Alaskan oil to Japan, trade imbalance would be reduced. (Congressional prohibition against this due to 1970s oil crisis, fear U.S would "run out" of energy.) (3) Penalizing Japanese imports would hurt U.S. workers and consumers; Japanese might retaliate by raising import quotas.

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15

China and Taiwan

✓ ***Is a closer relationship with China in the U.S. interest?***

✓ ***Should the U.S. begin to sell weapons to China?***

✓ ***Should the U.S. stop selling weapons to Taiwan?***

FACTS

The countries compared:	China	Taiwan
Population (millions, mid-1984 est.)	1,035	14.2
Average annual population growth rate	1.3%	1.8%
Literacy rate	66%	82%
Per capita GNP	$310	$2,514
1970-80 average GNP growth rate	5.3%	9.8%
GNP growth rate, 1982	7.4%	3.8%
Total foreign trade, 1982 (billions of U.S. dollars)	$40.9	$41.1
Foreign trade, 1982		
—percentage with U.S.	12.7%	31.5%
—percentage with Japan	21.6%	16.6%

BACKGROUND

Cold war. From 1949 (Communist victory in China and flight of defeated Nationalists to island province of Taiwan) to 1979, U.S. and People's Republic of China (PRC) had no diplomatic relations. PRC's early alliance with U.S.S.R. and intervention in Korean War (1950-53) deepened hostility. "World communism" seemed monolithic foe. In 1950 U.S. sent Seventh Fleet to patrol 115-mile wide Taiwan Strait, prevent Communist

The People's Republic of China

Current History, Inc.

liquidation of Nationalist government (Republic of China, or ROC). U.S. policy toward mainland China was based on nonrecognition, military containment, economic embargo. U.S. blocked PRC seat in UN; recognized ROC as sole legal government, maintained close economic and military ties. Under 1954 mutual defense treaty, U.S. made commitment to defend Taiwan.

1971: Thaw in U.S.-China relations. Began as U.S. reappraised Asia policy following deterioration in Sino-Soviet relations in 1960s. PRC viewed relationship with U.S. as counterweight to hostile Soviet Union. Nixon Administration saw thaw as increasing U.S. leverage against Soviet Union, spurring negotiated settlement in Vietnam, contributing to stable balance of power in Asia. In 1971, President Richard M. Nixon announced China visit; U.S. agreed to UN seat for PRC but failed to save ROC's seat under dual-representation formula.

Nixon's Feb. 1972 trip to China ended with Shanghai Communiqué, calling for progress toward normalization, trade, other contacts, diplomatic "liaison offices" in Washington and Beijing. U.S. did not challenge Chinese view that Taiwan is part of China, but retained option to defend Taiwan. Progress toward full U.S.-China relations was blocked by impasse over Taiwan issue. However, death of Mao Zedong (Sept. 1976) and overthrow of radical Gang of Four opened way for more-pragmatic leadership eager for help in modernizing China.

Formal normalization of U.S.-China relations. Announced in Dec. 1978. U.S. recognized Beijing as sole legal government of China; ended diplomatic ties with Taiwan, effective Jan. 1, 1979; "acknowledged" Chinese position that Taiwan is part of China; withdrew remaining U.S. troops and terminated mutual defense treaty Dec. 31, 1979. However, whereas PRC maintains how Taiwan is reunited with mainland is "entirely China's internal affair," U.S. makes clear it expects "peaceful resolution of the Taiwan issue."

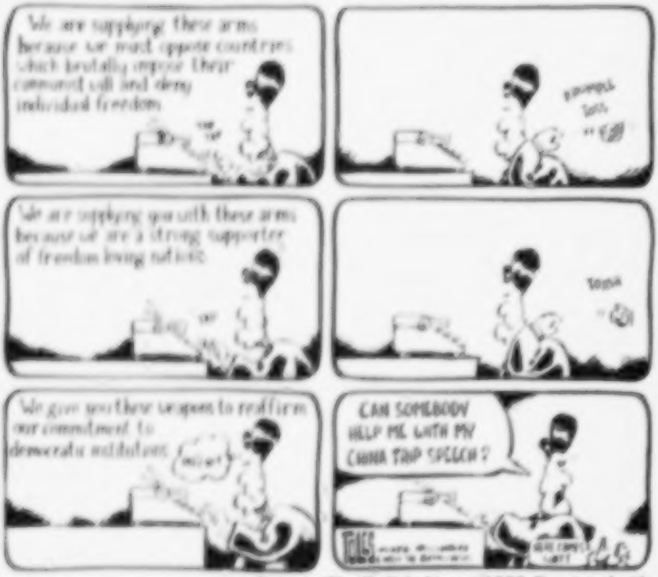
Taiwan Relations Act of April 1979. Established legal framework for unofficial U.S. relations with Taiwan. Embassy was replaced by nongovernmental American Institute in Taiwan. Congressional act, however, warned Beijing that Taiwan's future is "of grave concern to the United States," and required U.S. to sell arms enabling Taiwan "to maintain a sufficient self-defense capability."

Normalization brought settlement in 1979 of outstanding claims of U.S. citizens against PRC, unfreezing of PRC assets in U.S. Congress in Jan. 1980 granted China most-favored-nation trading status, extending it low-tariff advantages. Further agreements on air travel, shipping, textiles and consular relations opened way to large expansion of trade. Governments signed several science and technology accords; by end of 1980 over 1,000 Chinese delegations a month visiting U.S.; annual number of U.S. visitors to China soon exceeded 100,000.

CURRENT ADMINISTRATION POLICY

Chinese initially suspicious of President Ronald Reagan because of his long-standing ties with Taiwan. Sticking point was unresolved issue in 1978 normalization agreement—future U.S. sale of "defensive" weapons to Taiwan.

Secretary of State Alexander M. Haig Jr. in June 1981 offered to sell China weapons on case-by-case basis. However, Beijing refused U.S. weapons if quid


We are supplying these arms because we must oppose countries which brutally impose their communist will and deny individual freedom
We are supplying you with these arms because we are a strong supporter of freedom loving nations
We give you these weapons to reaffirm our commitment to democratic institutions
CAN SOMEBODY HELP ME WITH MY CHINA TRIP SPEECH?
TOLES

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pro quo was acceptance of U.S. arms sale to Taiwan. In Jan. 1982 U.S. decided not to sell Taiwan new generation of fighter planes but agreed to allow Taiwan to continue to coproduce American F-5E, current mainstay of ROC air force. Taiwan and China both unhappy with U.S. decision. To stem growing rift in relations, U.S. and China agreed to negotiate.

Result was communiqué of Aug. 17, 1982. U.S. agreed "arms sales to Taiwan will not exceed, either in qualitative or quantitative terms, the level of those supplied" since establishment of diplomatic relations in 1979. U.S. agreed to "reduce gradually" arms sales, tying this commitment implicitly to China's pursuit of a peaceful resolution of Taiwan question. China, however, rejected any such implication as interference in its internal affairs. U.S. agreed to no deadline or dollar limits on arms sales; Administration took inflation into account and actual dollar amounts of arms sale to Taiwan increased. Aug. 1982 communiqué deliberately ambiguous; China sharply criticized U.S. interpretation.

More problems, some solved. Several other issues have disrupted relations in recent years.

- Under strong pressure from domestic textile industry, Administration imposed unilateral quotas on several categories of Chinese textile exports in Jan. 1983. China retaliated by stopping imports of U.S. cotton, chemical fibers and soybeans. In Aug., two reached agreement on average 3.5% annual increase in Chinese textile shipments to U.S. over the next five years. China resumed U.S. agricultural purchases. (Grain pact expires in 1984.) In Dec. 1983 U.S. took additional steps to provide relief to U.S. textile industry; effects on China trade unclear.
- After long complaints by China, U.S. in 1983 moved PRC into export category of "friendly, non-allied" nations, allowing it greater access to high-technology goods.
- China plans to join Asian Development Bank. U.S. does not object, so long as Taiwan is not expelled to accommodate PRC.
- Another disruption in 1983 was U.S. granting of political asylum to Hu Na, China's top-ranked female tennis player. China insulted; cancelled some official sports and cultural exchange programs with U.S. through end of 1983. U.S. students and researchers in China complain about restrictions on travel, access to archives and to Chinese counterparts.

Better relations? U.S. Defense Secretary Caspar W. Weinberger visited China in Sept. 1983, raised possibility of greater U.S.-Chinese defense cooperation. Relations improved. Chinese Prime Minister Zhao Ziyang's visit to U.S. in Jan. 1984 capped by industrial cooperation accord and renewed scientific and technological exchange pact.

President Reagan visited China in Apr. 1984 and reinforced ties, although no breakthroughs achieved. Agreement signed on nuclear cooperation, which permits Beijing to buy American nuclear equipment and power plants; China did not agree to sign Nuclear Non-Proliferation Treaty, but pledged to help curb spread of atomic weapons to other countries. This regarded by U.S. as major, positive policy change by China. Agreements also signed on taxes (both nuclear and tax agreements require congressional ratification), and scientific and cultural exchanges. Foreign policy disagreements remain. For Chinese, American friendship with Taiwan still main obstacle to improving relations. China also unhappy about stationing of U.S. troops in South Korea. Chinese uncomfortable with idea of strategic cooperation with U.S. against Soviets; Chinese media censored Reagan's anti-Soviet remarks.

POLICY CHOICES

☐ **U.S. should move to a closer relationship with China.**

Yes. (1) China's shift in past decade from Soviet Union toward friendly relations with U.S. has contributed significantly to U.S. security. (2) China already 14th largest U.S. trading partner; as it modernizes will become increasingly important source of natural resources (offshore oil), market for U.S. agricultural products, machinery, overseas investment. (3) More Chinese students study in U.S. than rest of world combined; U.S. has great opportunity to help shape attitudes of China's future elites.

No. (1) Chinese anti-Soviet stance may change; U.S. should strengthen relations with other more reliable Asian powers. (2) China market has lost its luster. China trying to flood U.S. with textiles, other inexpensive goods; PRC itself highly protectionist. (3) Societies are vastly different; U.S. has little in common with country run by Communist party.

☐ **U.S. should sell arms to China.**

Yes. (1) Strong China is in interest of U.S. and NATO. (2) U.S. can sell weapons such as antitank rockets, air-defense missiles that will help improve China's security, provoke neither Taiwan nor Soviet Union.

No. (1) China is militarily backward; it can't afford credible defense against U.S.S.R. (2) Arms sales to China will destabilize regional peace; enable China eventually to seize Taiwan.

☐ **U.S. should continue to sell arms to Taiwan.**

Yes. (1) Taiwan old U.S. friend; eighth-largest U.S. trading partner. (2) U.S. obligated by 1979 Taiwan Relations Act to provide Taiwan with arms for its defense.

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(3) U.S. morally obligated to ensure that Taiwan can maintain its prosperous, capitalist way of life.
No. (1) U.S. jeopardizes relations with "new friends" in China by selling arms to "old friends" in Taiwan. (2) U.S. recognized Beijing government in 1979; in 1982 pledged to reduce arms sales to Taiwan. (3) China has made clear its interest in Taiwan's peaceful reunification; U.S. should stop interfering in China's internal affairs.

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16

South Africa and Namibia

- *Is the Reagan Administration's quiet diplomacy working?*
- *Should the U.S. be more vocal in its opposition to apartheid?*
- *What policies are most likely to bring peaceful change in South Africa?*
- *Should the U.S. continue to link Namibia's independence to a withdrawal of Cuban troops from Angola?*

FACTS

Population. South Africa: 30.2 million, including 22 million blacks (73%), 4.6 million whites (15%), of whom 60% are Afrikaner (Dutch ancestry), 2.8 million coloreds or people of mixed ancestry (9%), and 850,000 Asians (3%). **Namibia (or South-West Africa):** 1 million, including 75,000 whites (7.5%).

Per capita income. South Africa: whites, $5,101; blacks, $461. Namibia: whites, $5,525; blacks, $325.

Economic profile. South Africa's important resources include gold, uranium, metallic ores; natural resources include nearly all essential materials except oil. Industry, over 20% of gross national product, includes mined products, fabricated metal, machinery, textiles, chemicals, automobiles, fertilizer, fish. Self-sufficient in food.

South Africa is preeminent regional power, providing employment and controlling key transportation links for some "frontline" (or border) states, which include Angola, Botswana, Mozambique, Tanzania, and

Zambia. Has region's strongest, most advanced military, including nuclear-weapons capability.

Namibia's main industries include mining, ranching and fishing; largely controlled by Namibian whites and foreigners. Subsistence agriculture, concentrated on northern African reserves, includes crops such as millet, sorghum, corn and peanuts.

Trade and investment. In 1978 U.S. replaced Britain as South Africa's leading trade partner. In 1982, U.S. firms accounted for 17% of country's direct foreign investment.

U.S. Trade and Investment

(1982, in millions of U.S. dollars)

	South Africa	Namibia
U.S. exports	$2,359	$ 7.4
U.S. imports	$1,958	$ 6.3
U.S. direct investment	$2,500	$17.0
% of U.S direct investment	0.9%	

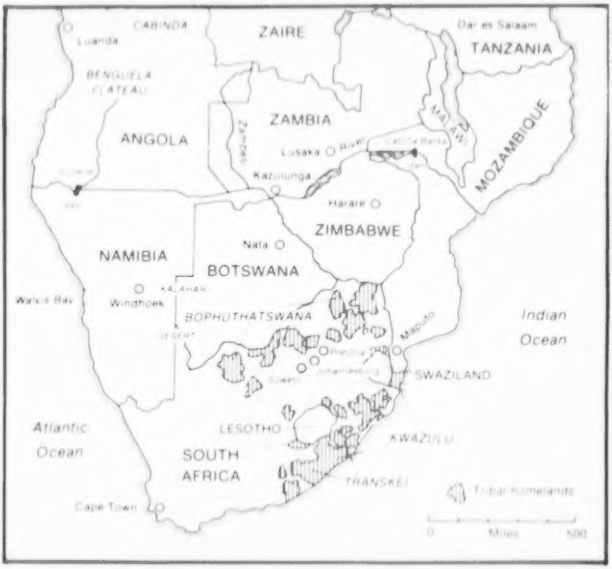
BACKGROUND

SOUTH AFRICA

History. Dutch settlers (Afrikaners) arrived at southern tip of Africa in 1652; later joined by African and Asian slaves, French Protestant Huguenots, Germans. Dutch fought indigenous Bantu tribes; British captured Cape Colony in Napoleonic wars; clashed with Afrikaners (Boers) over land, diamonds, gold throughout 19th century; prevailed in Boer War (1899-1902). British created self-governing Union of South Africa in 1910, which achieved full independence by 1934.

Apartheid. Whites united to exclude blacks, coloreds, Asians from participation in political system. Afrikaner National party has ruled since 1948. Under its policy of *apartheid*, strict racial separation and discrimination are legally mandated, enforced through system of police repression. Between 1960 and 1980, 3 million blacks forcibly relocated to 10 "homelands" (each territory purportedly the home of a different African ethnic group). Homelands have only 14% of South Africa's territory, much of it in the more desolate sections.

UN sanctions. Apartheid policy brought before UN in 1952; South Africa called it internal affair. World con-


CABINDA
Luanda
ZAIRE
Dar es Salaam
TANZANIA
BENGUELA PLATEAU
ZAMBIA
ANGOLA
Zambezi
Lusaka
River
MALAWI
MOZAMBIQUE
Kazulunga
Harare
ZIMBABWE
Nata
NAMIBIA
BOTSWANA
Walvis Bay
Windhoek
KALAHARI
BOPHUTHATSWANA
DESERT
Maputo
Indian Ocean
Pretoria
Johannesburg
Soweto
SWAZILAND
Atlantic Ocean
LESOTHO
KWAZULU
SOUTH AFRICA
TRANSKEI
Tribal homelands
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A.G. Smith

demned 1960 Sharpeville massacre of blacks; Security Council, with U.S. support, approved 1963 voluntary embargo on arms shipments to South Africa. During years of Nixon-Kissinger "tilt," U.S. protected South Africa with Security Council vetoes. South Africa suspended from UN General Assembly in 1974. After South African military intervention in Angola in 1975-76, repression of 1976 Soweto riots, and suspicious death of black leader Steven Biko, Security Council in 1977 voted mandatory arms embargo.

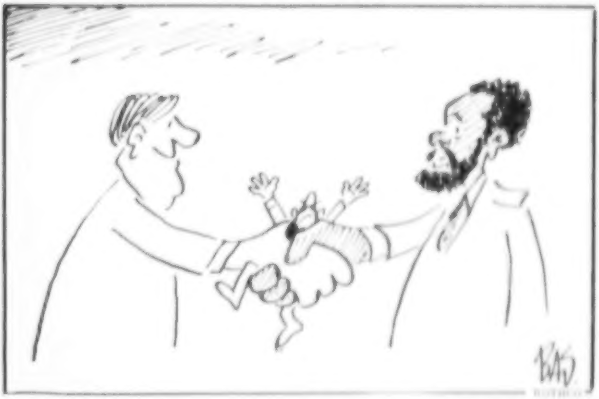
1983 Constitution. Prime Minister P.W. Botha has told his fellow Afrikaners they must "adapt or die"; granted some union rights to blacks in 1979 and advocates partial political power-sharing with coloreds, Asians but not blacks. In Nov. 1983, all-white electorate by 2–1 margin approved new Constitution, creating tricameral legislature with one house for whites, one for coloreds, one for Asians. However, under plan, whites still in full control. Reagan Administration praised Constitution as a "step which opens the way to constructive, evolutionary change."

Separate development. Critics argue that changes are cosmetic; even as South Africa seems to make progress, it continues policy of "separate development." Under separate development, South Africa's homelands will become "independent" states, every black will be designated the citizen of his or her homeland, and apartheid will lose its purpose because no black will remain a citizen of South Africa. Opposition party leader Dr. Frederik van Zyl Slabbert says the plan leaves blacks no choice but violence to bring about change.

Is economic growth the answer? South African industrialist Harry Oppenheimer argues that continued economic growth is not possible without bringing an increasing number of blacks into the work force and giving them greater skills. Result will be integration: first, economic; then social; then political. "Growth hypothesis" supported by U.S. investors, who argue that they promote change by encouraging black unions and supporting Sullivan Code of Fair Employment Practices (voluntary set of rules that call on U.S. firms in South Africa to enforce job equality). "Meaningful and broadened power-sharing will occur as blacks acquire the economic and organizational base from which to insist on it" (Chester A. Crocker, assistant secretary of state for African affairs). Critics argue that U.S. is providing the capital that helps apartheid survive; without such support, South Africa would be forced to change.

Normalizing relations with frontline states. Has been a key foreign policy priority for South Africa because they have provided bases and support for the African National Congress (ANC), largest and oldest of South African revolutionary black movements. (Exiled ANC receives aid from UN, Soviets, Scandinavia, Western Europe.) In Mar. 1984, South Africa signed nonaggression treaty with Mozambique—the first between South Africa and a black-ruled African country. Both countries pledged to prohibit organization of armed groups hostile to the other; committed themselves to prevent their territory from being used as a base by organizations or individuals that plan violence against the other. Severe blow to ANC, which relied on Mozambique's support.

Administration favored treaty as "a major develop-



BAS in *Tachydromos*, Greece. ROTHCO

ment in the search for strengthened national security in southern Africa" (U.S. State Department). Others concerned that a "Pax Pretoria," imposed by South African military and economic strength, cannot last and that repercussions will be even more harmful to U.S. interests. Critics, such as Congressman Howard E. Wolpe (D-Mich.), argued that Mozambique, faced with drought and famine as well as raids by South African troops, was too weak to refuse an agreement.

NAMIBIA

History. Namibia is a former German colony administered by South Africa under 1920 League of Nations mandate. In 1946, South Africa rejected UN trusteeship for Namibia; later imposed apartheid. In 1966 UN General Assembly revoked South Africa's mandate; World Court in 1971 ruled its presence illegal.

Independence. Agreed to in principle by South Africa. An agreement in 1978 between South Africa and South-West African People's Organization (SWAPO—black Namibian independence movement based in Angola) was the foundation for UN resolution 435, which mandates the "early independence of Namibia through free elections under the supervision and control of the UN." Implementation has come slowly because, critics say, South Africa knows SWAPO would win. South Africa's choice to rule Namibia was the Democratic Turnhalle Alliance (DTA), a mixed-race political party that won 1978 elections boycotted by

SWAPO. DTA did not have wide support and collapsed in 1983, followed by reestablishment of South African rule of Namibia.

Angola's support of SWAPO and the presence there of 25,000 Cubans have been continuing concerns of South Africa and U.S. Cuba began sending troops shortly after Angola became independent in 1975, saying soldiers would protect country from attacks by South Africa and right-wing Angolan guerrillas (members of UNITA—Union for the Total Independence of Angola). President Ronald Reagan has insisted that Cuban troops be removed from Angola before the Namibian question can be settled.

In Dec. 1983, South Africa launched month-long Operation Askari; its troops pushed 200 miles into southern Angola, and by Jan. 1984 South Africa and UNITA controlled lower third of country. Following successful attack, Foreign Minister Roelof Botha said South Africa would withdraw unilaterally from occupied territory. Crocker seized opportunity to bring Angola and South Africa together for negotiations on Namibia.

Both sides were ready to negotiate. Occupation of Namibia does not have a lot of domestic support in South Africa and, by Prime Minister Botha's estimate, costs South Africa $1 billion annually. Angola badly hurt by attacks, worn out by expense of maintaining Cuban troops (estimated $500 million a year). Talks began on Feb. 16, 1984, and for first time were attended by representatives of Angola, South Africa and U.S. They agreed to form joint commission to monitor withdrawal of South African troops from southern Angola. Agreement considered by Administration a "first step" that could produce the climate for a deal on Namibia. Others skeptical; doubt South Africa will ever allow free elections in Namibia or that Angola can afford to let go of its Cuban protectors.

CURRENT ADMINISTRATION POLICY

"Constructive engagement." Administration's strategy for achieving its four goals in southern Africa: (1) independence for Namibia, (2) enhanced security for the region, including coexistence among all states, (3) removal of foreign forces, (4) continued movement in ongoing process of change in South Africa. Key to constructive engagement is negotiations that promote peaceful change and regional cooperation. Administration condemns apartheid, but also argues that neighboring states have an obligation to refrain from supporting guerrilla activities. Coexistence (and the reduction of violence that would accompany it) "represents the best hope of fostering constructive change" (Crocker).

Unwillingness of Administration to take a more outspoken approach toward South Africa has made its policy controversial. Crocker argues that those who favor isolation of South Africa presume "that change in South Africa would be advanced if the U.S. washed its hands of the problem, leaving the scene to others to work their will. That is not foreign policy; it is 'ostrich' policy." Administration argues that South Africa's willingness to negotiate about Namibia is due to its increased sense of security.

Critics say that by emphasizing regional security, U.S. encourages South Africa to impose its will on its weaker neighbors, such as Mozambique and Angola. Constructive engagement means reliance on white initiatives; aligns U.S. with white rule. Unless U.S. puts on pressure, South Africa will move all its blacks to homelands.

Congress passed a record number of anti-apartheid measures in 1983, partly in reaction to Reagan's quiet diplomacy, partly as a result of increased interest in issue raised by Rev. Jesse Jackson's campaign for president. "We would prefer the Administration to put the pressure on, but since it's not doing so, Congress has to fill the gap" (Congressman Wolpe). House has passed bills including those that ban new U.S. corporate investment, make Sullivan code mandatory, end commercial bank loans to Pretoria, prohibit importation of Krugerrand gold coins. Senate has not yet taken up bills.

POLICY CHOICES

☐ **U.S. should unequivocally condemn apartheid.**
Yes. (1) U.S. spotlight on apartheid will prod white government toward reform. (2) Condemnation will in-

crease U.S. leverage with future black leaders of South Africa. (3) It is the morally correct policy.

No. (1) Only in context of quiet diplomacy will whites undertake change; they are not willing to appear pushed. (2) Will raise black expectations, provoking domestic unrest, regional destabilization. (3) Moral obligation is to promote change, and U.S. can do that best by promoting gradual change.

☐ **U.S. should curb economic ties with South Africa.**

Yes. (1) Tough steps, such as banning imports of Krugerrands, will hurt South African economy, force concessions. (2) Measure will enhance U.S. standing among black nationalists, third-world nations. (3) Only drastic sanctions will work.

No. (1) Economic sanctions not enforceable; other countries will not join with U.S. business. (2) Deprives blacks of badly needed jobs; will hurt black trade unionism. (3) U.S. has strategic interest in a stable South Africa; an unfriendly or Communist regime could cut off supplies of important strategic metals.

☐ **U.S. should drop insistence on linking Namibian independence to withdrawal of Cuban troops from Angola.**

Yes. (1) Cubans protect Marxist government in Luanda, Angola; not active in southern Angola. Their presence is irrelevant to Namibian question. (2) Will break impasse in negotiations, pave way for settlement. (3) Linkage strains U.S. relations with other black African countries and Western allies.

No. (1) Until Cubans withdraw, Marxism will have a foothold in southern Africa. (2) Angolans have promised to "invite" Cubans to leave after Namibian independence, but this does not mean they can or will. (3) South Africa will never agree.

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17

Third World: Population, Food, Development

- ✓ ***How can the U.S. best help reduce hunger and poverty in the third world?***
- ✓ ***Can world food production keep pace with population growth?***
- ✓ ***Should U.S. foreign aid support economic development or promote U.S. security?***

FACTS

	Less-developed countries	More-developed countries	World
Population (billions, est. 1984)	3.596 (76%)	1.166 (24%)	4.762
Population growth rate (annual)	2.1%	0.6%	1.7%
Crude birthrate (per 1000)	32	16	28
Life expectancy at birth (years)	58	73	61
GNP as % of world total (1981)	21	79	100
Per capita GNP, 1982 ($US)	$750	$9,190	$2,800

*Europe, North America, Australia, Japan, New Zealand, U.S.S.R.

Sources: *Agenda 1983, Overseas Development Council, pp.207, 226*
1984 World Population Data Sheet, Population Reference Bureau

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BACKGROUND

Less-developed countries (LDCs) are sometimes referred to, collectively, as the third world or the South (in contrast to the industrialized North). They share following characteristics: low per capita income, high birthrate, low literacy rate, low level of manufacture.

The 40 poorest LDCs, with per capita annual incomes of $400 or less, referred to as fourth world. They include 27 African countries, 12 Asian, and one Caribbean (Haiti).

At other end of income scale are newly industrializing countries or NICs (Brazil, South Korea, Singapore, for example), with rapid rates of economic growth. In class by themselves are the oil-exporting countries.

Third-world economic growth rate in the 1970s (5.1%) exceeded that of industrial countries (3%), but slowed in early 1980s as result of worldwide recession. LDCs suffered from sluggish export markets, adverse terms of trade, high real interest rates (see "International Debt Crisis").

U.S. and third world. LDCs provide U.S. with vital raw materials (oil, over half bauxite, tin and cobalt used by U.S. industry), and such labor-intensive products as clothing, textiles, shoes. Close to one-third income from U.S. foreign direct investment comes from LDCs. Since 1975, LDCs have accounted for more than half U.S. export growth, absorbing about 40% of U.S. exports in 1980. One out of 20 workers in U.S. manufacturing plants (finished goods, sophisticated technology) and one out of every five acres of U.S. farmland produce for LDC markets.

Rapid population growth is pressing problem in most of third world. At present rate of growth, LDC population will double in 33 years; more-developed countries, in 112 years. Regions with highest average annual population growth rates are Africa (2.9%), Central America (2.8%), Middle East (2.6%). Indian and Indonesian efforts to stabilize population growth through family planning and large-scale sterilization have resulted in reduction in birthrate to 2% and 2.1%, respectively. Birthrate in China (population 1 billion), first country to adopt one-child family program, is down to 1.3%.

Food. Although third-world food production increased by an average of 2.8% a year, 1970-80, population growth reduced per capita increase in food production to 0.4%. Some areas fared better than others. Latin America had highest increase in food production per capita in 1970s (0.8% annually); Africa's food production per capita **declined** 11% (total) in the same period. Food shortages in sub-Saharan Africa in 1980s aggravated by perennial droughts, causing widespread starvation. At same time that production in many food-deficient LDCs was stagnating or deteriorating and at least 400 million people were malnourished, reserves in major food-producing countries in 1983 were exceptionally large.

Weather only partly to blame for worsening food shortages in LDCs. Many LDCs have underinvested in agriculture while pushing industrialization. Production further hampered in nonpetroleum-producing LDCs by rising oil prices (from $2 per barrel in 1973 to $34 in 1983), which affected cost of fertilizer, transport. Result: in 1970s LDC food imports increased by 9% a year, while exports increased by only 2.2% per year.

Development gap. Widening income gap between third-world and industrialized countries prompted LDCs in 1964 to form economic caucus in UN. Group of 77 (G-77) now numbers 127 countries. G-77 was catalyst behind first UN Conference on Trade and Development (1964). In 1974, G-77 called for New International Economic Order (NIEO), including increased financial flows to third world, transfers of technology, larger share of decisionmaking power in international financial institutions, higher and more stable prices for commodity exports, improved access to North's markets. U.S opposed NIEO, claiming it discouraged development, was not in best U.S. interest. Failure to get positive response from industrialized countries provoked G-77 in 1979 to call for Global Negotiations—high-level, sustained, intergovernmental talks to implement NIEO agenda.

Cancún (Mexico) summit of 22 heads of state from North and South met in Oct. 1981 and discussed Global Negotiations. As of spring 1984, negotiations still stalemated. Main stumbling blocks: differences over third-world debt, oil, and control of international financial institutions.

Aid. U.S. provides development aid through multilateral organizations—e.g., World Bank Group (including International Finance Corporation, or IFC, and International Development Association, or IDA), International Monetary Fund (IMF), UN Development Program (UNDP), UN Fund for Population Activities (UNFPA), International Fund for Agricultural Development (IFAD). Also directly aids individual countries through State, Defense, Treasury departments and Agency for International Development (AID). Under Public Law 480 (Food for Peace), U.S. sells farm commodities to LDCs on lenient credit terms.

Total lending by multilateral and regional development banks in fiscal year (FY) 1983 was $20.4 billion; U.S. contribution, $1.5 billion. Total development assistance from Western industrialized countries and Japan in 1982: $27.9 billion. U.S. contributed largest amount ($8.2 billion), but its contribution as percentage of gross national product, or GNP (0.27% in 1982, 0.2% a year average, 1979-83) ranked third from bottom of 17 Western countries and Japan. In 1983, Middle East (Egypt and Israel, primarily) accounted for close to 50% of all U.S. foreign aid worldwide.

U.S. consensus in support of foreign aid legislation has eroded so badly that only once in five years has Congress completed action on aid bill. Differences exist over broad foreign policy objectives, especially in Central America; effectiveness of emphasis on basic human needs; and ratio of security to development aid. Opposition reflects declining confidence in international organizations and growing concern over size of Federal budget deficit.

CURRENT ADMINISTRATION POLICY

Three principles governing current U.S. aid policy are bilateralism, budget restraint, and reliance on free markets (see "Jobs and Trade"). While recommending increased aid to third world, President Ronald Reagan told American Legion in Feb. 1983 that "massive infusions of foreign aid" had proved "ineffective" and "counterproductive" in past. "Our economic assistance must be carefully targeted and must make maximum use of the energy and efforts of the private sector."

Administration gives preference to bilateral economic and security assistance over multilateral aid, reversing policy adopted in early 1970s following recommendations of commission headed by Peter G. Peterson, assistant to President Richard M. Nixon for international economic affairs. Carter Administration's linkage of economic aid to progress on human rights also de-emphasized. Administration canceled aid to Nicaragua in 1981, increased aid to El Salvador, reestablished aid to Guatemala.

Commission on Security and Economic Assistance, headed by Frank C. Carlucci, in 1983 recommended increased levels of foreign assistance, especially to sub-Saharan Africa and Central America; integration of economic and military aid; increased concessionality—that is, lower interest rates on military assistance loans; new agency (State Department Mutual Development and Security Administration) to coordinate security and development assistance on country-by-country basis. Commission noted that "the instrumentalities of foreign assistance are potent and essential tools that advance our interests. . . . On balance, it is the judgment of the commission that U.S. assistance programs make an indispensable contribution to achieving foreign policy objectives."

National Bipartisan Commission on Central America, headed by former Secretary of State Henry A. Kissinger (see "Central America"), recommended increased aid of all kinds and coordination of development, political, diplomatic and security measures. Proposed five-year, $8 billion aid package for Central America/Caribbean is designed to "bar the Soviet Union from consolidating either directly or indirectly or through Cuba a hostile foothold on the American continents. . ." To be implemented through bilateral trade and investment measures.

Despite Administration preference for bilateral aid, Administration helped meet IMF crisis by supporting Feb. 1983 plan to increase IMF quotas by 47% (from $67 billion to $98.5 billion); U.S. share of quota increase was $5.8 billion. On the other hand, U.S. stretched out contribution to IFAD ($180 million over five years instead of three); reduced FY 1985 request to Congress for contribution to IDA, main source of lowinterest loans to sub-Saharan Africa and other fourth-world countries, to $750 million (down from nearly $1 billion a year for FY 1982-84). U.S. also reduced share of total funds committed to IDA, from 27% to 25%. Other countries pay in proportion to U.S. share; therefore, U.S. action reduced total IDA resources. To assist Africa, Administration requested $75 million for FY 1985 as part of new five-year, $500 million program to help governments establish "growth-oriented economic policies," such as phasing out food subsidies, raising incentives for farmers, letting market forces determine food prices.

Reagan Administration's foreign assistance request for FY 1985 totaled $15.8 billion, including $1.5 billion for multilateral aid, $14.3 billion for bilateral aid. Of $15.8 billion total, $9.4 billion earmarked for economic development, $6.4 billion for military assistance. For first time, loans for arms sales to LDCs were incorporated in foreign aid request.

POLICY CHOICES

☐ **U.S. should increase aid to developing countries.**
Yes. (1) U.S. spent only 0.27% of GNP on foreign aid in 1983; richest country in the world should do more to help world's poor and hungry. (2) LDCs represent growing and potentially large markets for U.S. products; without aid for infrastructure they cannot develop into good customers. (3) Aid helps stabilize countries which might otherwise turn to the Soviet Union for support.
No. (1) There is hunger and poverty in the U.S.; our first priority must be to help Americans. (2) Private sector, not government, is best suited to help with international economic development. (3) Aid cannot buy friends; cannot stop countries from turning to Soviet Union.

☐ **U.S. should channel more aid through multilateral organizations.**
Yes. (1) Multilateral aid can be more fairly distributed to those in need; there are no political strings attached. (2) Most third-world problems are not bilateral in nature

(e.g., hunger, drought). U.S help has greater impact as part of a wider effort. (3) Multilateral aid is cheaper than bilateral assistance.

No. (1) Many multilateral agencies are polarized by ideological, North-South disagreements. No guarantee that aid will be fairly distributed. (2) U.S. cannot exert as much control over multilateral aid; could go to countries hostile to U.S. (3) Multilateral aid more likely to get caught up in bureaucracy of large agency; more efficient to give money directly.

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18

The U.S. and the UN

- ***Does the UN further U.S. foreign policy objectives?***
- ***If not, should the U.S. reduce its financial support and/or participate more selectively?***
- ***How can the U.S. improve its ties with the third world?***
- ***Should the U.S. pull out of UNESCO? out of the UN?***

FACTS

UN Charter signed in 1945 at San Francisco Conference by 50 nations. Current membership: 159. Principal organs established under UN Charter include: General Assembly (all members, each with one vote); Security Council (15 members, including 5 permanent members—U.S., U.S.S.R., Britain, France, China; decisions taken by affirmative vote of 9 members; permanent members have veto power); Economic and Social Council (54 members); International Court of Justice, known as World Court (15 judges). UN system includes Specialized Agencies (*e.g.* FAO, ILO, WHO, UNESCO, International Bank for Reconstruction and Development, or World Bank, and its affiliates, International Development Association, and International Finance Corporation) and other related organizations and bodies.

UN's administrative arm is the Secretariat, which carries out programs and policies decided by UN organs. Chief administrative officer is secretary-general (currently Javier Pérez de Cuéllar of Peru), who is elected for five-year renewable term.

U.S. currently contributes one quarter of regular budget of UN, a reduction from one third in earlier days. U.S., U.S.S.R., and Japan together provide 46% of UN regular budget.

BACKGROUND

UN Charter, adopted in closing months of World War II, called for peaceful resolution of international conflicts, and growth of worldwide material prosperity; envisaged U.S.-Soviet cooperation in peacekeeping. For several years, until emergence of newly independent states resulting from decolonization, and their admission to UN, U.S. and allies enjoyed almost automatic majority in General Assembly and Security Council; U.S. did not use its veto in the Security Council until 1970.

Cold war between U.S. and U.S.S.R. undermined short-lived East-West consensus. First issue raised in the Security Council in 1946 was the refusal of Soviet Union to withdraw its troops from Iran. Rift widened with Korean War (1950-53).

Decolonization in late 1950s, early 1960s, led to substantial increase in third-world membership. U.S. positions often challenged by newly independent nations, which combined with Soviet bloc to form two-thirds majority, which they used to focus attention on questions of greatest concern to them. In 1964, developing countries formed an economic caucus, Group of 77 (now numbering 125); presented demands for greater share of world resources, trade and development aid in form of a call for a "new international economic order."

Nonaligned Movement, which began formal meetings in 1961 in an attempt to constitute third-world political voice, is cohesive but not entirely monolithic; usually anti-U.S., though it occasionally opposes the Soviet Union (voted for resolution calling for withdrawal of foreign troops from Afghanistan). U.S. finds itself in opposition to third world on such issues as (1) Arab grievances against Israel, (2) grievances about South Africa's *apartheid* and Namibia policies, (3) claims of poor nations against rich.

"Nonaligned" form voting bloc of 101 members in General Assembly. Other blocs include: Warsaw Pact (9); Arab group (20); Islamic Conference (42). U.S. belongs to no particular voting bloc, but position often coincides with "West European and Other Governments" (WEOG), which includes Canada, Australia, New Zealand, Japan.

Budget. Regular UN budget was $685.3 million in 1983; it covers administrative expenses of principal UN organs, but not UN Development Program (UNDP), Office of the UN High Commissioner for Refugees, UN Children's Fund (UNICEF), among others, which are funded on a voluntary basis. (Additional assessments cover peacekeeping forces, such as UN Interim Force in Lebanon.) U.S. assessed at maximum rate of 25%; in 1983 U.S. paid $164.8 million. U.S. restricts use of funds for any UN programs which primarily benefit Palestine Liberation Organization (PLO) or South-West African People's Organization (SWAPO).

Is U.S. getting its money's worth? Frequent anti-U.S. votes since the early 1970s have led some critics to question whether American dollars were supporting an organization inherently hostile to U.S. interests. In 1971, General Assembly expelled Republic of China (Taiwan) and gave its seat to the People's Republic of China. In 1974, over U.S. protest, PLO Chairman Yasir Arafat (although head of neither a state nor a government) addressed General Assembly, and PLO received observer status. In 1975, General Assembly passed resolution defining Zionism as "a form of racism."

Critics also charge that UN is ineffective as a peacekeeper, that it has turned into an enormous, wasteful bureaucracy, and that political pressures have lessened the independence and effectiveness of Secretariat.

UN supporters point to U.S. failure to fully realize UN's potential and reluctance to take the initiative in bringing issues before the UN. They argue that if the U.S. doesn't help prepare the menu, it shouldn't complain about what's served; also, that the decline of American influence has been greatly exaggerated and that automatic votes against U.S. positions have been counterbalanced often by automatic anti-Soviet votes.

CURRENT ADMINISTRATION POLICY

Administration's goal is to ensure that the UN promotes both U.S. and world interests. Priorities are (1) reassertion of U.S. leadership position, (2) fiscal restraint, (3) increased role for private sector in programs and activities, (4) increased number of U.S. nationals on staffs. Administration favors "voluntary programs," such as the UNDP and UNICEF, which are responsive to U.S. efforts to play strong leadership role.

Outspoken U.S. Permanent Representative to the UN Jeane J. Kirkpatrick tends toward a confrontational approach; she argues that U.S. position is "impotent" at the UN; it is without influence, heavily outvoted and isolated. Because of existence of voting blocs, conflicts that would otherwise involve only a handful of countries become global issues. She is strongly in favor of U.S.' stating its views clearly, conveying to countries importance it attaches to their UN voting records, and asserting its willingness to stand alone, if need be, on issues.

U.S., in 1982-83, took assertive position on several important issues:

UNESCO. In Dec. 1983, Reagan Administration announced decision to withdraw from UNESCO in a year, unless that agency made major changes to correct misguided policies and tendentious programs. Administration accused UNESCO of unrestrained budgetary expansion, overpoliticization and antidemocratic leanings (most recently expressed as pressure for programs to tighten control over press under a "new world information order"). U.S withdrew from International Labor Organization (ILO) in 1977 on similar grounds but rejoined in 1980 after achieving some success in depoliticizing organization.

Israel. In Oct. 1982, Secretary of State George P. Shultz announced U.S. intention to withdraw from General Assembly, should it vote to exclude Israel from participation. U.S. withheld payments to International Atomic Energy Agency following rejection of Israeli credentials in Sept. 1982; resumed payments in 1983 when agency agreed to Israel's continued membership.

Law of Sea (LOS). In Dec. 1982, General Assembly passed resolution to finance preparatory commission called for by LOS treaty from regular UN budget. (U.S. has refused to sign LOS treaty.) President Ronald Reagan withheld U.S. "pro rata" share of costs; said funds would be financing treaty U.S. considered unacceptable.

Kirkpatrick argues that Administration approach is working. She points to failure of Arab-led effort to expel Israel from UN; failure of Cuban-led effort on behalf of Puerto Rican independence; success in holding UN budget to small increase (in real terms) for 1984-85.

Critics charge that Kirkpatrick's approach has resulted in growing U.S. isolation at the UN. Seymour Maxwell Finger, director of the Ralph Bunche Institute on the UN, says that by putting UN votes in an East-West context, U.S. ignores some 100 countries that fit neither category. He argues that the confrontational approach was responsible for U.S. failure to block Nicaragua's election to the Security Council in 1982 (whereas Cuba's candidacy failed to get necessary support in 1979) and U.S. isolation in vetoing resolution deploring invasion of Grenada.

POLICY CHOICES

☐ **U.S. should pull out of UN.**

Yes: (1) UN does not resolve conflicts; its accomplishments are few. (2) UN is under the tyranny of the third-world majority, which pushes through resolutions U.S. opposes. (3) UN is not worth the money it costs. (4) UN follows double standard: the majority condemns Israel but is silent about Arab extremism; it denounces human rights violations in governments friendly to the West but not in Soviet Union or Soviet bloc.

No: (1) UN may not resolve all conflicts but it still offers unique arena for airing potentially explosive differences. (2) If the U.S. exercised capable, effective leadership, it could work more constructively to advance mutual interests. (3) U.S. could make UN's use of available resources more effective by choosing priorities and exercising selective financial restraints. (4) As world economic situation has changed, anti-Western bias of much of third world has receded. Nonaligned Movement has opposed unpopular Soviet actions (e.g. invasion of Afghanistan).

☐ **U.S. should stay in UNESCO.**

Yes: (1) U.S. can be more effective reforming UNESCO as a member than as an outsider. (2) Unfair for U.S. to expect third-world nations to renounce what may be sincerely held views. (3) UNESCO has done much good. U.S. departure would take away creative and research resources of many educators, scientists and artists who depend upon UNESCO for support, information.

No: (1) Only under threat of U.S. withdrawal may UNESCO be induced to pay attention to longstanding Western complaints; threat of U.S. withdrawal has strengthened, not weakened, U.S. influence. (2) UNESCO agenda has become overburdened with campaigns for disarmament, global economic reforms, human rights debates and other political issues. Science, education and culture have been shortchanged. (3) Western democracies should not compromise principles (e.g. freedom of press) to appease totalitarian third-world regimes.

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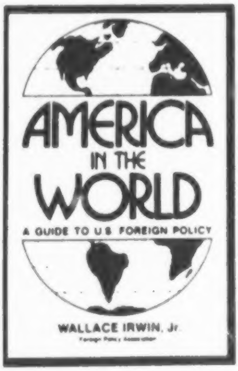

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